SPEEDEMISSIONS INC
Form 10KSB
March 31, 2006

QuickLinks -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

ý **Annual Report Under Section 13 Or 15(d) of The Securities Exchange Act Of 1934**

For The Fiscal Year Ended: December 31, 2005.

o **Transition Report Under Section 13 Or 15 (d) Of The Securities Exchange Act Of 1934**

For the Transition Period from to
Commission file number: 000-49688

Speedemissions, Inc.

(Name of small business issuer in its charter)

Florida	**33-0961488**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1134 Senoia Road, Suite B2 Tyrone, Georgia	**30290**
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number **(770) 306-7667**

Securities registered under Section 12(g) of the Exchange Act:

Common stock, par value $0.001

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o.

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

State issuer's revenues for its most recent fiscal year. The issuer's revenues for the year ended December 31, 2005 were $6,952,200.

The estimated aggregate market value of voting and non-voting common equity held by non-affiliates of the Company based on the closing price of $1.00 for our common stock on March 8, 2006 is $1,416,536.

As of March 8, 2006, there were 2,873,598 shares of common stock, par value $0.001, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). None.

Transitional Small Business Disclosure Format (check one): Yes o No ý

Speedemissions, Inc.

TABLE OF CONTENTS

Part I

Item 1. Description of Business

This Report contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements are based on many assumptions and estimates and are not guarantees of future performance. Our actual results may differ materially from those projected in any forward-looking statements, as they will depend on many factors about which we are unsure, including many factors which are beyond our control. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," and "estimate," as well as similar expressions, are meant to identify such forward-looking statements. Potential risks and uncertainties include, but are not limited to, those described below under "Risk Factors."

General

We were incorporated as SKTF Enterprises, Inc. in Florida in March 2001 for the original purpose of marketing and distributing branded and licensed hats and clothing at major events such as sporting events, concerts, and conventions. In June 2003, we abandoned that business plan and acquired Speedemissions, Inc., a Georgia corporation in the business of vehicle emissions testing since May 2000. In connection with the acquisition, we changed our name to Speedemissions, Inc. in September 2003. As of March 31, 2006, we operate 35 vehicle emissions testing and safety inspection centers in three separate markets, greater Atlanta, Georgia; Houston, Texas; and Salt Lake City, Utah, and four mobile units in the Atlanta, Georgia area.

Reverse Stock Split

On November 18, 2005, our shareholders approved by written consent of a majority vote a 1-for-10 reverse stock split of the issued and outstanding shares of common stock with fractional shares being rounded up to the next whole share. We executed the amendment to the Articles of Incorporation on December 6, 2005 which went effective January 20, 2006. All share amounts in this Annual Report have been adjusted to reflect the reverse stock split unless otherwise indicated.

Risk Factors

Our independent auditors have expressed doubt about our ability to continue as a going concern.

In their report dated February 24, 2006, our independent auditors stated that our financial statements for the year ended December 31, 2005 were prepared assuming that we would continue as a going concern. However, our independent auditors raised substantial doubt about our ability to continue as a going concern due to our recurring losses from operations, operating cash flow deficiencies, and our limited capital resources. Our future success and ability to continue as a going concern is contingent upon, among other things, the ability to achieve and maintain satisfactory levels of profitable operations, obtain and maintain adequate levels of debt and equity financing, and provide sufficient cash from operations to meet current and future obligations. We are not generating sufficient cash flow from operations to fund growth as we continue to acquire and open new emission testing and safety inspection stations. If we can successfully complete one or more acquisitions of profitable businesses, then we anticipate an increase in our operating cash flow, but with the increased costs of expanding our operations, we may not achieve positive operating cash flow during 2006. In order to continue implementation of our growth strategy, we will need to raise additional capital through the sale of our equity securities and or through debt financing.

We have a limited operating history and limited historical financial information upon which you may evaluate our performance.

Our limited operating history and losses to date make it difficult to evaluate our business. You should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, are in their early stages of development. Various factors, such as economic conditions, regulatory, and legislative considerations, and competition, may also impede our ability to expand our market presence. We may not successfully address these risks and uncertainties or successfully implement our operating and acquisition strategies. If we fail to do so, it could materially harm our business and impair the value of our common stock. Even if we accomplish these objectives, we may not generate positive cash flows or profits we anticipate in the future.

We have a large amount of outstanding common stock held by a single shareholder, and a large amount of common stock that could be acquired by a second shareholder upon conversion of preferred stock and exercise of warrants, which if sold could have a negative impact on our stock price.

Our largest shareholder, GCA Strategic Investment Fund Limited, and its affiliates, own 1,457,062 shares of our common stock. Upon exercise of all outstanding warrants at the exercise price of $1.20 per share and conversion of their Series A Convertible Preferred Stock, GCA Strategic Investment Fund Limited could own up to 10,056,859 shares of our common stock. Barron Partners LP could acquire up to 31,487,430 shares of our common stock upon the exercise of outstanding warrants at the exercise price of $1.20 per share and the conversion of their Series B Convertible Preferred Stock. If either of these shareholders sold a large number of shares of our common stock into the public market, or if the public market perceived the sale of those shares into the market, it would have a negative impact on our stock price.

There is an extremely limited market for our stock.

There is an extremely limited trading market for our common stock. Although our common stock is quoted on the OTC Bulletin Board, there are very few trades of our shares. During 2005, for example, average monthly trading volume of our common stock was 53,385 shares. Currently, there are approximately six market-makers in our common stock. Making a market in securities involves maintaining bid and ask quotations and being able to effect transactions in reasonable quantities at those quoted prices, subject to various securities laws and other regulatory requirements. The development and maintenance of a public trading market depends, however, upon the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. Market makers on the OTC Bulletin Board are not required to maintain a continuous two-sided market, are required to honor firm quotations for only a limited number of shares, and are free to withdraw firm quotations at any time. Even with a market maker, factors such as our losses from operations for each of the past three years, the going concern opinion by our auditors, the large number of shares reserved for issuance upon exercise of existing warrants or options or the conversion of outstanding shares of preferred stock, and the small size of our company mean that there can be no assurance of an active and liquid market for our common stock developing in the foreseeable future. Even if a market develops, we cannot assure you that a market will continue, or that shareholders will be able to resell their shares at any price. You should carefully consider the limited liquidity of your investment in our common stock.

We may have to pay a substantial amount of liquidated damages to a single shareholder if we fail to maintain certain requirements.

If we fail to maintain a majority of independent directors on our board or a majority of independent directors on both our Audit Committee and Compensation Committee, then we must pay to Barron Partners, LP ("Barron") an amount equal to 24% of the purchase price of $6,615,000 for the Series B Convertible Preferred Stock and common stock warrants per annum, payable monthly. For every month the majority of our board or any of our committees is not independent, we must pay

Barron liquidated damages in the amount of $132,300. Currently we have a majority of independent directors on our board.

If we fail to maintain the effectiveness of a resale registration statement for the shares held by Barron, then we must pay to Barron in the form of shares of Series B Convertible Preferred Stock an amount equal to 24% of the purchase price of $6,615,000 paid by Barron for the Series B Convertible Preferred Stock and common stock warrants per annum for each day the resale registration is not effective. For example, if we fail to maintain the effectiveness of the resale registration statement for a period of 30 days, we must issue to Barron approximately 49,315 shares of Series B Convertible Preferred Stock which would convert to approximately 372,822 shares of our common stock. We filed a resale registration statement for the shares held by Barron on August 24, 2005, which was declared effective by the SEC on October 13, 2005. This registration statement is currently not up-to-date because it does not describe our Settlement Agreement with Barron and GCA or include our 2005 financial statements. We are in the process of updating the registration statement for these events. Because we had prepared a proposed amendment to the registration statement at Barron's request to describe Barron's proposed plan of distribution of its shares, we believe any delay in updating the registration statement to describe current events has been authorized by Barron. Consequently, we believe we are not in violation of this liquidated damages provision and have asked Barron to agree in writing with our position. Barron has informed us that it disagrees with our position and therefore there is a risk that we may owe Barron additional shares of Series B Preferred Stock.

We are obligated to redeem a series of our preferred stock upon a change of control.

If a person or group of persons other than GCA Strategic Investment Fund acquires beneficial ownership of $33^{1}/_{3}$% or more of the outstanding shares of common stock without the prior written consent of GCA Strategic Investment Fund, we could be required to redeem the Series A Convertible Preferred Stock at the greater of (i) the original issue price of $1,000 per share or (ii) the number of shares of common stock into which the redeemed shares may be converted multiplied by the market price of the common stock at the time of the change in control. Based on the 5,133 shares of Series A Convertible Preferred Stock currently outstanding, if this redemption were triggered we would be required to pay the holders of these shares an aggregate of at least $5,133,000. This restriction will likely deter any proposed acquisition of us and may make it more difficult for us to attract new investors, as any mandatory redemption of the preferred shares will materially adversely affect our ability to remain in business and significantly impair the value of your common stock.

A change of control could occur if one shareholder exercises all of its common stock purchase warrants.

Barron may acquire 18,760,000 shares of common stock upon conversion of 2,481,481 shares of Series B Convertible Preferred Stock. However, Barron is restricted from converting any portion of the Series B Convertible Preferred Stock which would cause Barron to beneficially own in excess of 4.9% of the number of shares of common stock outstanding immediately after giving effect to such conversion. In addition, Barron may acquire 12,587,431 shares of common stock upon the exercise of warrants at $1.20 per share. However, Barron is restricted from exercising any portion of the common stock warrants which would cause Barron to beneficially own in excess of 4.99% of the outstanding shares of common stock unless Barron revokes this restriction upon 61 days prior notice from Barron to Speedemissions. If Barron revokes this restriction, it could control approximately 82% of outstanding shares of common stock based on number of outstanding shares as of March 8, 2006.

The exercise price of certain outstanding warrants will be adjusted if we do not meet certain earnings per share goals, and as a result we could lose a substantial amount of future capital.

The exercise price of certain warrants to purchase approximately 8,587,431 shares of common stock may be reduced from the current price of $1.20 if we earn less than $0.054 per share based on a fully diluted shares outstanding at year end beginning when the 2005 year end financials are reported. The exercise price would be reduced proportionately by 0% if earnings are $0.054 per share and by 40% if

the earnings are $0.033 or less per share. For example, if we earn $0.043 per share, or 20% below $0.054 per share, then the warrant exercise price will be reduced by 20%. If we fail to meet these earnings per share goal, we might lose a substantial amount of future capital and other shareholders would face additional dilution. We have not met the earnings per share projections for 2005. However, we believe the warrant holder, Barron, is not entitled to reductions in the exercise price of the warrants because the earnings per share requirement was tied to a contemplated acquisition that was not completed. Barron has confirmed in writing that it agrees with our position.

We depend upon government laws and regulations that may be changed in ways that may impede our business.

Our business depends upon government legislation and regulations mandating air pollution controls. At this point, Georgia, Texas and Utah laws are especially important to us because all of our existing emissions testing services are conducted in those states. Changes in federal or state laws that govern or apply to our operations could have a material adverse effect on our business. Federal vehicle emissions testing law may evolve due to technological advances in the automobile industry creating cleaner, more efficient automobiles which could affect current testing policy and procedure in our markets. For example, Georgia law could be changed so as to require that vehicles in the state be tested every other year, as opposed to every year. Such a change would reduce the number of vehicles that need to be tested in any given year and such a reduction would have a material adverse effect on our revenues in Georgia. Other changes that would adversely affect us would be a reduction in the price we can charge customers for our testing service, an increase in the fees we must pay to the state in order to operate emissions testing stations in its jurisdiction, and the adoption of a system whereby the state, as opposed to private operators, performs vehicle emissions testing. We cannot be assured that changes in federal or state law would not have a materially adverse effect on the vehicle emissions testing industry generally or, specifically, on our business.

We may be unable to effectively manage our growth and operations.

If we continue to raise sufficient capital to support our growth strategy of both opening and acquiring stations, we anticipate rapid growth and development in a relatively short period of time. The management of this expansion will require, among other things, continued development of our financial and management controls and management information systems, stringent control of costs, increased marketing activities, the ability to attract and retain qualified management personnel, and the training of new personnel. We intend to hire additional personnel in order to effectively manage our expected growth and expansion. Failure to successfully manage our expected growth and development and difficulties in managing additional emissions testing stations could have a material adverse effect on our business and the value of our common stock.

Our strategy of acquiring and opening more testing stations may not produce positive financial results for us.

Our strategy of acquiring and opening more emissions testing stations in the greater Atlanta, Houston, and Salt Lake City areas and in other areas is subject to a variety of risks, including the:

Inability to find suitable acquisition candidates;

Failure or unanticipated delays in completing acquisitions due to difficulties in obtaining regulatory approvals or consents;

Difficulty in integrating the operations, systems and management of our acquired stations and absorbing the increased demands on our administrative, operational and financial resources;

Loss of key employees;

Reduction in the number of suitable acquisition targets resulting from continued industry consolidation;

Inability to negotiate definitive purchase agreements on satisfactory terms and conditions;

Increases in the prices of sites and testing equipment due to increased competition for acquisition opportunities or other factors; and

Inability to sell any non-performing stations or to sell used equipment.

Our failure to successfully address these risks could have a material adverse effect on our business and impair the value of our common stock.

Because the emissions testing industry is highly competitive, we may lose customers and revenues to our competitors.

Our testing stations face competition from other emission station operators that are located near our sites. We expect such competition whenever and wherever we open or acquire a station. Our revenue from emissions testing is affected primarily by the number of vehicles our stations service, and the price charged per test. Other emissions testing operators may have greater financial resources than us, which may allow them to obtain more expensive and advantageous locations for testing stations, to provide services in addition to emissions testing, to charge lower prices than we do, and to advertise and promote their businesses more effectively than we do. For example, some of our competitors in Atlanta charge only $20.00 to test a vehicle rather than the $25.00 maximum allowed under Georgia law. As a result, we have had to reduce our fees to $20.00 in some of our Atlanta stations. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain, or will increase, their current testing volumes and revenues. A decrease in testing volume as the result of competition or other factors could materially impair our profitability and our cash flows, thereby adversely affecting our business and the value of our common stock.

The loss of Richard A. Parlontieri, our President and Chief Executive Officer, and the inability to hire or retain other key personnel, would adversely affect our ability to manage and control our business.

Our business now depends primarily upon the efforts of Mr. Richard A. Parlontieri, who currently serves as our President and Chief Executive Officer. We believe that the loss of Mr. Parlontieri's services would have a materially adverse effect on us. In this regard, we note that we have entered into a three-year employment agreement with Mr. Parlontieri. We do not maintain key-man life insurance on Mr. Parlontieri.

As our business grows and expands, we will need the services of other persons to fill key positions in our company. As an early growth-stage company with limited financial resources, however, we may not be able to attract, or retain, competent, qualified and experienced individuals to direct and manage our business. The absence of skilled persons within our company will have a materially adverse effect on us and the value of our common stock.

Our largest shareholder controls our company, allowing it to direct the company in ways that may be contrary to the wishes of other shareholders.

Our largest shareholder, GCA Strategic Investment Fund Limited, and its affiliate, own approximately 54% of our outstanding shares and control approximately 79% of our outstanding voting securities. They have the ability to control the direction of our company, which may be contrary to the wishes of other shareholders or new investors.

There are a large number of outstanding warrants, options and preferred stock which if exercised or converted will result in substantial dilution of the common stock.

As of March 8, 2006, there are 2,873,598 shares of common stock outstanding. In November 2005 we entered into a Settlement Agreement, as a result we delivered warrants to purchase stock and shares of Series A Convertible Preferred Stock if exercised and converted would amount to approximately 8,594,166 shares of common stock. For a more detailed discussion, see Recent Corporate Developments. If all warrants and options are exercised and all preferred stock are converted to

common stock, there will be 43,490,611 shares of common stock outstanding. As a result, a shareholder's proportionate interest in us will be substantially diluted.

Our stock price may fluctuate which could result in substantial losses for investors.

The market price for our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

Quarterly variations in operating results;

Any significant sale of stock or exercise of warrants by any of our existing shareholders;

Announcements by us or our competitors of new products, significant contracts, acquisitions or strategic relationships;

Publicity about our company, management, products or our competitors;

Additions or departures of key personnel;

Any future sales of our common stock or other securities; and

Stock market price and volume fluctuations of publicly traded companies.

These and other external factors have caused and may continue to cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock.

Because we are subject to the "penny stock" rules, the level of trading activity in our stock may be reduced.

Our common stock is quoted on the OTC Electronic Bulletin Board. Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain penny stock rules adopted by the Securities and Exchange Commission. Penny stocks, like shares of our common stock, generally are equity securities with a price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on Nasdaq. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, broker-dealers who sell these securities to persons other than established customers and "accredited investors" must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Consequently, these requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security subject to the penny stock rules, and investors in our common stock may find it difficult to sell their shares.

Expansion of Business

We are becoming a national provider of vehicles emissions testing and safety inspections. In the past two years, we have acquired competitors in the Atlanta, Georgia; Houston, Texas, and Salt Lake City, Utah areas. We intend to continue opening company-owned and operated stores, to acquire more competitors, and to begin offering franchises, all in both our current markets and other selected markets, such as Dallas, Texas; Charlotte, North Carolina; Northern Virginia; Pittsburgh and Philadelphia, Pennsylvania; Southern California; Las Vegas, Nevada; New York City; and Boston, Massachusetts. We are creating brand awareness in our current testing stations through standard building style and façade, consistent color schemes, signs, and employee uniforms, and we advertise in select local markets. Any future testing stations will also comply with our brand specifications.

2004 AND 2005 ACQUISTIONS

Seller	Acquisition Agreement	Assets Acquired
Procam Emissions and Georgia Emissions	Asset Purchase Agreement dated January 21, 2004	Four emissions testing centers in the Atlanta, Georgia area
Twenty Dollar Emissions	Asset Purchase Agreement dated January 30, 2004	Seven emissions testing centers in the Atlanta, Georgia area
BB&S Emissions, LLC	Asset Purchase Agreement dated June 11, 2004	One emissions testing center in the Atlanta, Georgia area
State Inspections of Texas, Inc.	Asset Purchase Agreement dated December 2, 2004	Five mobile testing centers in the Atlanta, Georgia area
State Inspections of Texas, Inc.	Asset Purchase Agreement dated December 30, 2004	Six emissions testing centers in the Houston, Texas area
Mr. Sticker, Inc.	Stock Purchase Agreement dated June 30, 2005	Six emissions testing centers in the Houston, Texas area
Just, Inc.	Stock Purchase Agreement dated September 7, 2005	Eight emissions testing centers in the Salt Lake City, Utah area

Recent Corporate Developments

Reverse Stock Split

On November 18, 2005, our shareholders approved by written consent of a majority vote a 1-for-10 reverse stock split of the issued and outstanding shares of common stock with fractional shares being rounded up to the next whole share. We executed the amendment to the Articles of Incorporation on December 6, 2005 which went effective January 20, 2006. All share amounts in this Annual Report have been adjusted to reflect the reverse stock split.

Description of Settlement Agreement and Related Transactions

On June 30, 2005, we entered into a Preferred Stock Purchase Agreement (the "Barron Agreement") with Barron Partners LP ("Barron") pursuant to which Barron purchased $6,420,000 worth of our Series B Convertible Preferred Stock, along with warrants to purchase 2,500,000 shares of our common stock at an exercise price of $2.40 per share for a period of five years, and warrants to purchase 1,890,000 shares of our common stock at an exercise price of $4.80 per share for a period of five years. On August 4, 2005, we entered into an Amendment to Stock Purchase Agreement which modified the Barron Agreement to, among other things, increase the warrants to 2,621,496 shares at $2.40 per share and 1,965,935 shares at $4.80 per share, respectively.

On August 23, 2005, GCA Strategic Investment Fund Limited ("GCA"), the holder of all 2,500 shares of our Series A Convertible Preferred Stock then issued and outstanding, notified us that as a

result of the Barron Agreement and pursuant to Section 9 of the Certificate of Designation of Series A Convertible Preferred Stock, the conversion ratio of our Series B Convertible Preferred Stock was automatically incorporated into the rights of the Series A Convertible Preferred Stock (referred to herein as the "Dispute"). We resolved this Dispute by entering into a Settlement Agreement with GCA, Barron, and Global Capital Funding Group, LP ("GCFG" and collectively with GCA and Barron referred to herein as the "Investors") with all parties agreeing to the following terms:

GCFG converted all amounts due and owing under the Speedemissions, Inc. Secured Promissory Note dated December 30, 2004, in the principal amount of $1,285,000 plus accrued interest of $124,288 into (i) 1,409 shares of Series A Convertible Preferred Stock with rights and preferences outlined in the Amended Certificate of Designation of our Series A Convertible Preferred Stock and (ii) a warrant to purchase 2,400,000 shares of our common stock at an exercise price of $1.20 per share for a period of five years;

GCA consented to the Amended Certificate of Designation of our Series A Convertible Preferred Stock, including a new conversion price of $1.20 per share of common stock and no dividend rights, and converted all amounts due and owing, including accrued interest of $160,705, under the $350,000 principal amount promissory note dated January 26, 2005, the $300,000 principal amount promissory note dated August 2, 2001, and the $110,000 principal amount promissory note dated August 7, 2004 and $302,847 in cumulative dividends due and owing under the existing 2,500 shares of our Series A Convertible Preferred Stock into (i) 1,224 shares of Series A Convertible Preferred Stock, (ii) a warrant to purchase 1,600,000 shares of our common stock with an exercise price of $1.20 per share of common stock for a period of five years, and (iii) an amended warrant agreement dated January 26, 2005 to purchase 250,000 shares of common stock reducing the exercise price from $2.40 to $1.20 per share;

Barron agreed to the issuance of the GCA Stock, the GCFG Stock, and the GCFG Warrant, and to the Amended Certificate of Designation in exchange for a warrant to purchase 4,000,000 shares of our common stock with an exercise price of $1.20 per share of common stock for a period of five years; and

Speedemissions, GCFG, GCA, and Barron agreed to release each other of all claims, agreements, contracts, covenants, representations, obligations, losses, liabilities, demands and causes of action which it may now or hereafter have or claim to have against each other, as a result of the Dispute.

In connection with the Settlement Agreement, we also amended certain Common Stock Purchase Warrants held by the Investors effective October 14, 2005:

We executed an Amendment No. 1 to the First Restated Common Stock Purchase Warrant "A" to purchase 2,621,496 shares of common stock held by Barron reducing the exercise price from $2.40 per share to $1.20 per share.

We executed an Amendment No. 1 to the Common Stock Purchase Warrant "B" to purchase 1,965,935 shares of common stock held by Barron reducing the exercise price from $4.80 per share to $1.20 per share.

We executed an Amendment No. 1 to the Warrant to purchase 250,000 shares of common stock held by GCA reducing the exercise price from $1.25 per share to $1.20 per share.

We executed an Amendment No. 1 to the Warrant to purchase 10,000 shares of common stock held by GCA reducing the exercise price from $3.57 per share to $1.20 per share.

As part of the Settlement Agreement, we entered into an Exchange Agreement with GCFG dated effective as of October 14, 2005 exchanging the GCFG Stock and the GCFG Warrant for the GCFG Note.

In conjunction with the GCFG Exchange Agreement, we granted to GCFG registration rights with respect to the resale of the shares of common stock underlying the warrants and preferred stock issued to GCFG. Pursuant to the Registration Rights Agreement with GCFG dated October 14, 2005, we agreed to prepare and file a registration statement for the resale of the shares of common stock underlying the GCFG Stock and GCFG Warrant and to use our best efforts to cause the registration statement to be declared effective.

As part of the Settlement Agreement, we entered into an Exchange Agreement with GCA dated effective as of October 14, 2005 exchanging the GCA Stock and the GCA Warrant for the following debt and rights held by GCA: (i) the $300,000 Note; (ii) the $110,000 Note; (iii) the $350,000 Note and (iv) $302,847 in cumulative dividends due and owing under the then existing 2,500 shares of the Series A Convertible Preferred Stock.

In conjunction with the GCA Exchange Agreement, we granted to GCA registration rights with respect to the resale of the shares of common stock underlying the warrants and preferred stock issued to GCA. Pursuant to a Registration Rights Agreement with GCA dated October 14, 2005, we agreed to prepare and file a registration statement for the resale of the shares of common stock underlying the GCA Stock and GCA Warrant and to use our best efforts to cause the registration statement to be declared effective.

Our Typical Testing Center

The typical testing center is located inside of a structure similar to a typical lube or tire change garage with doors at both ends so vehicles can "drive-through" the facility. We also have structures that resemble a bank drive-through facility. A computerized testing system is located in the building. There are two types of primary tests that are performed, the Accelerated Simulated Model (ASM) and the On-Board Diagnostic (OBD). In selected markets a vehicle safety inspection must also be performed. These tests apply to vehicles generally manufactured from 1982 through 2003, depending on the state. The ASM test is done on vehicles 1995 and older, while the OBD test is conducted on vehicles 1996 and newer. In all new centers, we expect to operate two testing lanes. The cost of equipment for operating one ASM and two OBD machines is approximately $50,000. The cost of facilities varies, depending on location and market rates in that area. Generally, we do not expect to own any land or buildings. Instead, although we own the land and building at one of our sites, in the future we intend to lease or sublease all of the land and the buildings that we use in our business. We expect the total cost for a new emissions testing site will be approximately $150,000, including emission testing equipment and related installation, deposits and prepaid items such as certificates, furniture and office equipment, renovations if necessary, signage, and capital necessary to fund operations during the first year. Such amount does not include future years' costs, such as rent and utilities or other operating costs.

In our Atlanta, Georgia and Houston, Texas locations, under the guidelines of the Georgia Clean Air Force program and Texas Vehicle Emissions Testing Program, respectively, the mobile vehicle emission testing units are only permitted to conduct the OBD test on 1996 and newer vehicles. In the Atlanta, Georgia area, we currently have four units and they serve the automobile fleets of the federal, state, and local governments. Also, all used cars, prior to being re-sold, must have a vehicle emission test, and thus we serve both the new and used car dealers throughout the greater Atlanta market. Finally, these units serve the fleets of major corporate customers as well. The start-up cost for the mobile testing unit is about 60% less than the cost of a typical brick-and-mortar location.

Industry Background Government and Regulatory Overview

The United States Environmental Protection Agency reported in 2003 that approximately 123 million people live in 333 counties across the United States that do not meet national air quality

standards. The 2005 Motor Vehicle I/M Report, an Annual Report published by Sierra Research, states that 33 states and the District of Columbia currently have vehicle emissions testing programs. Each state as well as the District of Columbia has its own regulatory structure for emissions testing with which we must comply.

Public awareness of air pollution and its hazardous effects on human health and the environment has increased in recent years. Increased awareness of air pollution and its hazardous effects on human health and the environment has led many governmental authorities to pass more stringent pollution control measures. One especially effective measure that many governmental authorities have adopted is vehicle emissions testing. Vehicle emissions produce approximately up to 50% of the hazardous air pollutants and up to 90% of the carbon monoxide air pollution in metropolitan areas. The EPA estimates that enhanced emissions testing on motor vehicles is approximately 10 times more cost-effective in reducing air pollution than increasing controls on stationary pollution sources such as factories and utilities. Consequently, the EPA has made emissions testing an integral part of its overall effort to reduce air pollution by ensuring that vehicles meet emissions standards.

Vehicle emissions control requirements have become progressively more stringent since the passage of the Clean Air Act in 1970. In 1990, Congress amended the Clean Air Act. The revisions required areas that did not meet national ambient air quality standards (NAAQS) to implement either basic or "enhanced" vehicle I/M emissions testing programs, depending upon the severity of the area's air quality problem. The act also required that metro areas with populations of more than 100,000 implement enhanced I/M emissions testing regardless of their air quality designation.

On November 5, 1992, EPA issued its original rule establishing minimum performance and administrative requirements for states developing air quality implementation plans. The EPA said areas that needed enhanced emissions testing would have to use their new "I/M 240" test procedure. However, the EPA decided to grant state governmental authorities the discretion to determine how best to establish and operate a network of emissions testing facilities, including the flexibility to choose either a centralized or a decentralized program.

In general, these vehicle emissions tests are performed either in a centralized program or in a decentralized program. In a centralized program, a select number of emissions testing operators are licensed by the state or are operated by certain states to perform vehicle emissions testing. These operators are authorized to perform emissions tests, but generally they are prohibited from repairing vehicles that fail to pass an emissions test.

On the other hand, in a decentralized program, a wider range of persons may perform emissions tests, including those engaged primarily in other businesses, such as automotive repair shops, automobile dealers and others. For many of these operators, performing emissions tests is not their primary business.

Twenty states have implemented decentralized programs, twelve states and the District of Columbia have implemented centralized programs, and two states have some counties that have centralized programs and other counties that have decentralized programs. There are two states that have implemented a hybrid program, whereby there are both decentralized and centralized testing stations.

On July 31, 1998, the EPA issued a final study that concluded that more stringent air quality standards for motor vehicle emissions are needed, and that such standards should be implemented as it becomes technologically feasible and cost-effective to do so. We believe that the setting of such standards will be the most important EPA regulatory initiative affecting motor vehicles since the passage of the 1990 Amendments. We believe that the EPA study is likely to result in more stringent standards that will have the effect of increasing the number of areas that must implement emissions testing programs and thereby potentially increasing the market for our service. On February 28, 2006,

the EPA proposed new standards that would establish stringent new controls on gasoline, passenger vehicles to further reduce emissions of mobile source air toxics.

Since 1977, when federal legislation first required states to comply with emissions standards through the use of testing programs, California has been a leader in testing procedures and technical standards. California has approximately 23 million vehicles subject to emissions testing, more than two times that of any other state. California's testing program is overseen by the California Bureau of Automotive Repair (CARB). CARB has revised its emissions testing standards three times: in 1984, 1990 and, most recently, in 1997. With each of these revisions, the Bureau has required the use of new, more sophisticated and more accurate emissions testing and analysis equipment, which must be certified by CARB. California's testing standards have become the benchmark for emissions testing in the United States.

All states with decentralized programs and many states with centralized programs require emissions testing and analysis equipment used in their programs to be either BAR-84, BAR-90, or BAR-97 certified, with all newly implemented enhanced programs requiring BAR-97 certification.

As emissions testing equipment has become more technologically advanced, government regulators have required that testing facilities use this more advanced equipment. The most significant technological advance that has occurred in the emissions testing industry over the past decade is the development of enhanced testing systems. Prior to 1990, the EPA required government agencies to test vehicles only for emissions of carbon monoxide and hydrocarbons, which form smog. During this "basic" test, a technician inserts a probe in the vehicle's tailpipe while the vehicle is idling and emissions analyzers then measure pollution levels in the exhaust. These basic tests worked well for pre-1981, non-computerized vehicles containing carburetors because typical emission control problems involved incorrect air/fuel mixtures and such problems increase pollution levels in the exhaust even when the vehicle is idling.

However, today's vehicles have different emissions problems. For tests on modern vehicles to be effective, the equipment must measure nitrogen oxide emissions that also cause smog and must test the vehicle under simulated driving conditions. The EPA now requires these enhanced tests in the major metropolitan areas of the 33 states and the District of Columbia. A technician conducts these Accelerated Simulated Mode (ASM) tests on a dynamometer, a treadmill-type device that simulates actual driving conditions, including periods of acceleration, deceleration and cruising, or the On Board Diagnostic (OBD) by plugging into the vehicles computerized operation system.

Emissions Testing in the State of Georgia

As a result of a rapidly increasing population, which has caused the levels of smog to escalate sharply, the 13 counties that make up the metro Atlanta area have been identified by the EPA as target sites for a mandatory vehicle inspection and maintenance program. In 1996, the Environmental Protection Division of the State of Georgia initiated "Georgia's Clean Air Force" program that requires testing of certain vehicles in a 13 county area surrounding Atlanta, Georgia, for certain emission levels. These rules are set forth in Sections 391-3-20-.01 through .22 of the Rules of the Georgia Department of Natural Resources, Environmental Protection Division.

Georgia's program is a decentralized program. All operators performing emissions testing in Georgia must have their technicians attend and complete certain state certified training, and report to the state on their emissions testing activities every month. Testing stations may be licensed to test all vehicles, which are known as ALL VEHICLES WELCOME stations, or only vehicles not more than ten years old, known as 1996 OR NEWER VEHICLES ONLY stations. All the stations we currently operate in Georgia, are "ALL VEHICLES WELCOME" stations.

Georgia's Clean Air Force Program initially required a basic test of exhaust gases every two years. In 1997, the program was changed to include enhanced testing, which combines the simple exhaust test with a simulated road test using a dynamometer. Prior to January 1, 2000, Georgia required that vehicles in the 13 covered counties undergo an emissions test once every two years. In December 1999, the Georgia legislature revised the program to require testing on an annual basis, with an annual exemption for the three most recent model years.

The market for emissions testing in Georgia is highly fragmented and generally consists of services provided by independent auto repair service providers, service stations, oil and tire repair stores, and independent test-only facilities. According to the State of Georgia, there were approximately 700 licensed test sites, and approximately 2,137,000 tests were performed in Georgia under the Georgia Clean Air Force Program during the calendar year 2004.

Under Georgia law, the price that a testing station may charge per test may not be less than $10 nor more than $25. A fee of $6.95 must be paid by the station operator to the state. The balance of the current charge, or $18.05 assuming the maximum price of $25 is charged, is retained by the station operator. If a vehicle fails an emissions test, it may be retested at no additional charge within 30 days of the initial test if performed at the same facility.

If a vehicle fails to pass an emissions test, the owner of the vehicle must have repair work performed to correct the deficiency, up to a total cost of $710 under current law. If a vehicle fails a re-inspection despite the maximum expenditure required by law, the owner must apply for a repair waiver from the state.

Georgia law mandates compliance with its vehicle emissions testing program. For vehicles subject to the state's emissions law, a successful test, or a waiver from the state, is required to obtain a vehicle registration in Georgia.

Emissions Testing in the State of Texas

The Texas Vehicle Emissions Testing Program, also known as AirCheck Texas, was implemented in May 2002 in affected areas of Texas to improve air quality. As of September 2005, 12 counties are now subject to enhanced vehicle emissions testing. The rules are set forth in § 114.50 of the Texas Administrative Code.

The testing program is integrated with the annual safety inspection program, both of which are operated by the Texas Department of Public Safety in conjunction with the Texas Commission on Environmental Quality. Vehicles two to twenty-four years old are subject to vehicle emissions testing in Texas. The emissions tests conducted are the same as in Georgia with 1996 and newer models subject to the OBD test and 1995 and older models subject to the ASM test. The fee is set at a maximum of $39.50 for both the emissions test and the safety inspection, with $27.00 allocated for an ASM or an OSD emissions test and $12.50 allocated for the safety inspection. The operator is charged $8.00 for the ASM sticker, and $14.00 for the OBD sticker. Vehicles are required to be tested on an annual basis, with an annual exemption for the two most recent model years. According to the American Automobile Motor Vehicle Association, there are 4.6 million eligible vehicles in the state.

If a vehicle fails the emissions test, the operator must provide a free retest at the same facility within 15 days. An individual vehicle waiver is available to any vehicle that has undergone at least $600 of emissions-related repairs and is still unable to pass an emissions test.

Texas law mandates compliance with its vehicle emissions and safety inspection program. For a vehicle to obtain a sticker for yearly registration the owner must have a successful emissions and safety inspection, or a waiver.

Emissions Testing in the State of Utah

The state of Utah allows a hybrid of the centralized and decentralized programs where the state operates a select number of emissions testing and safety inspection centers while authorizing those businesses such as an automotive repair shop, automobile dealers and other to conduct emissions testing and safety inspections. The Department of Health for each county manages emission testing and the Utah Highway Patrol manages safety inspection program. The emissions tests conducted are the same as in Georgia and Texas. We charge $38.00 for the emissions test in Salt Lake County and $25 in Weber County where the maximum fee is $25. Depending on the location of the testing center, a fee of $3.60 is remitted to Salt Lake County and $3.00 to Weber County. We charge $17 for the safety inspections in both counties and a fee of $2.00 is remitted to the Utah Highway Patrol per safety inspection.

All vehicles registered in Davis, Salt Lake, Utah and Weber counties with model years less than six years old are required to have an emission test once every two years. Vehicles with model years six years old and older (to 1967) must have an emission test every year. Emission testing is not required for vehicles with model years 1967 or older. Vehicles with model years less than eight years old are required to have a safety inspection once every two years. Vehicles with model years eight years old and older must pass safety inspections every year. If a vehicle fails, the operator must provide a free re-test at the same facility within 15 days.

Utah law mandates compliance with its vehicle emissions and safety inspection program. For a vehicle to obtain a sticker for yearly registration the owner must have a successful emissions and/or safety inspection.

Operating Strategy

Our operating strategy focuses on (a) increasing the number of sites we operate in a given market, (b) increasing the volume of business at each site, (c) creating brand awareness for our services, and (d) creating repeat customer sales, all of which are designed to enhance our revenue and cash flow. To achieve these goals, we:

Seek to secure and maintain multiple stations at well-traveled intersections and other locations that are easily reachable by our customers;

Coordinate operations, training and a local outreach program in each market to enhance revenue and maximize cost efficiencies within each market;

Implement regional management and marketing initiatives in each of our markets;

Seek to acquire existing testing sites where significant volume potential exists;

Tailor each facility, utilize limited local advertising and the services we offer to appeal to the broadest range of consumers; and

Seek to expand the use of our mobile vehicle testing units by adding a sales manager to call on federal, state, and local governments for their fleets, as well as corporate accounts and car dealers.

Most of our emissions testing stations are open for business during weekdays between the hours of 8:00 am and 6:00 pm, and from 8:30 am to 5:00 pm on Saturdays, for a total of 58.5 hours per week. We operate some stations on Sundays in Texas. The average emissions test in Georgia takes approximately 8 to 12 minutes to complete. In Texas and Utah, because of the safety inspection, the completion time is slightly longer. Therefore, each of our stations with one testing bay can test anywhere from three to four vehicles per hour. Assuming steady demand throughout the day, six days a week, each of our one testing bay stations would have the capacity to test approximately 234 vehicles

per week (58.5 hours times 4 vehicles per hour), or 936 vehicles per month (234 vehicles per week times 4 weeks). Based upon our calculations involving our existing emissions stations, stations with one testing bay need to receive payment for 450 emissions tests per month to cover the costs associated with its operation, while stations with two testing bays need 475 tests per month to break even. In addition, we do a limited (about 10%) oil change business in six of our Texas locations. As of February 2006, we were averaging 775 tests per month in our stations.

We currently purchase our raw materials, such as filters, hoses, etc., from several suppliers, and because these raw materials are readily available from a variety of suppliers, we do not rely upon any one supplier for a material portion of our materials. Certificates of Emission Inspection are purchased from the Georgia Clean Air Force, and emission and safety inspection stickers are purchased from the Texas Department of Public Safety, the Salt Lake Valley Health Department, and Utah Highway Patrol.

Intellectual Property

We have registered the trade name "Speedemissions" in Fulton County, Georgia, and Austin, Texas, and are thereby authorized to conduct our business in Georgia and Texas under the name "Speedemissions." We have filed a Federal Service Mark Registration for the name and logo of Speedemissions, Inc., and for the tag line "The Fastest Way to Keep Your Air Clean."

Competition

The emissions testing industry is full of small owner-operators. Auto repair shops, tire stores, oil change stores, muffler shops, service stations, and other emissions testing stations all offer the service. There are no national competitors at this time. Competition is fierce, and we expect competition from local operators at all of our locations. We expect such competition whenever and wherever we open or acquire a station. Our market share is too small to measure. Our revenue from emissions testing is affected primarily by the number of vehicles our stations service, and the price charged per test. Other emissions testing operators may have greater financial resources than us, which may allow them to obtain more expensive and advantageous locations for testing stations, to provide services in addition to emissions testing, to charge lower prices than we do, and to advertise and promote their businesses more effectively than we do. For example, some of our competitors in Atlanta charge only $20.00 to test a vehicle rather than the $25.00 maximum allowed under Georgia law. As a result, we have had to reduce our fees to $20.00 in some of our Atlanta stations. We intend to compete by creating brand awareness through advertising, a standard building style and facade, and consistent color schemes and uniforms. Because most families own more than one vehicle, and they are required to have their vehicle tested on a regular basis, we anticipate that we can retain repeat customers. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain, or will increase, their current testing volumes and revenues.

Research and Development

We have not spent any material amount of time or money on research and development, and do not anticipate doing so in the future.

Compliance with Environmental Laws

There are no environmental laws applicable to the vehicle emissions and safety inspection business.

Employees

We currently employ 111 individuals. Of these 111 employees, seven are employed in administrative positions at our headquarters, including our Chief Executive Officer, Richard A. Parlontieri, while 104 are employed on-site at our testing locations. 101 of our employees are full-time, while 10 are employed on a part-time basis.

Item 2. Description of Property

Corporate Office

We rent our general corporate offices located at 1134 Senoia Road, Suite B2, Tyrone, Georgia, which consists of 2,000 square feet of office space. The rent for our office space is $2,230 per month, including utilities, with a term that expires on February 1, 2007, with a 2-year renewal option. We expect to move the corporate office to a larger building in order to accommodate our expected needs within the next twelve months.

Testing Facilities

We lease the land and buildings we use in connection with 34 of our existing emissions testing facilities, and we own one building and the associated land. In addition, we have one testing facility under construction. All of our facilities are believed to be in adequate condition for their intended purposes and adequately covered by insurance.

Site	City	State	Monthly Rent	Lease Expiration
Georgia Facilities				
27 East Crogan Street	Lawrenceville	GA	Company owned	N/A
100 Peachtree Parkway	Peachtree City	GA	$ 1,705	May 2006
8405 Tara Boulevard	Jonesboro	GA	$ 1,500	January 2008
6923 Highway 85*	Riverdale	GA	$ 2,250	January 2008
4853 Canton Road	Marietta	GA	$ 1,000	September 2008
2720 Sandy Plains Road	Marietta	GA	$ 3,031	March 2009
8437 Roswell Road	Atlanta	GA	$ 2,750	November 2007
9072 Highway 92	Woodstock	GA	$ 1,800	April 2007
2887 Canton Road	Marietta	GA	$ 2,500	July 2008
213 Riverstone Parkway	Canton	GA	$ 1,300	November 2007
731 Powder Springs Street	Marietta	GA	$ 2,700	month to month
1869 Cobb Parkway	Marietta	GA	$ 2,756	month to month
2625 S. Cobb Drive	Smyrna	GA	$ 2,800	March 2008
2909 N. Druid Hills	Decatur	GA	$ 1,500	month to month
5300 Roswell Road	Atlanta	GA	$ 1,800	January 2008

Texas Facilities					
13386 Jones Road*	Houston	TX	$	2,500	month to month
7710 W. Bellfort	Houston	TX	$	3,120	November 2009
1531 Gessner	Houston	TX	$	3,000	August 2007
11125 Briar Forest	Houston	TX	$	4,500	August 2007
4494 Highway 6	Houston	TX	$	4,882	August 2007
108 Bellaire	Houston	TX	$	4,500	November 2009
12340 Bissonnet	Houston	TX	$	2,400	November 2009
15113 Welcome Lane	Houston	TX	$	3,250	June 2008
2690 FM 1960	Houston	TX	$	3,250	June 2008
12265 Veterans Memorial	Houston	TX	$	1,400	April 2006
18115 Kuykendahl Road	Houston	TX	$	3,338	June 2008
6005 FM 1960 West	Houston	TX	$	3,200	June 2010
7120 Louetta Road	Houston	TX	$	5,500	June 2013
Utah Facilities					
7735 S. State Street	Midvale	UT	$	2,150	June 2011
757 Washington Blvd.	Ogden	UT	$	2,500	June 2009
8610 S. 700 E.	Sandy	UT	$	3,543	September 2011
1706 S. 900 E.	Salt Lake City	UT	$	2,485	July 2011
865 S. State Street	Salt Lake City	UT	$	1,394	October 2008
1835 W. 9000 S.	West Jordan	UT	$	3,770	May 2009
4098 S. Redwood Rd.	West Valley City	UT	$	3,350	October 2011
5983 S. 900 E.	Murray	UT	$	4,000	September 2006

*
Under construction

Item 3. Legal Proceedings

In April 2005, a lawsuit was filed against us by Weingarten Realty Investors in the U.S. District Court of Harris County, Texas, case number 2005-25671. The complaint alleged breach of contract arising out of a real property lease in Texas for two testing sites that were to be built. We met with executives of Weingarten Realty Investors and settled this matter. Weingarten dismissed the suit on January 20, 2006.

We are not a party to or otherwise involved in any legal proceedings.

In the ordinary course of business, we may be from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon our financial condition and/or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

On November 18, 2005, our shareholders approved by written consent of a majority vote a 1-for-10 reverse stock split of the issued and outstanding shares of common stock with fractional shares being rounded up to the next whole share. All share amounts in this Annual Report have been adjusted to reflect the reverse stock split. We filed the amendment to the Articles of Incorporation dated

December 6, 2005 which went effective January 20, 2006. A more detailed description of the reverse stock split can be found in our Schedule 14C Information Statement dated and filed with the Securities and Exchange Commission on January 5, 2006.

On October 14, 2005, pursuant to the unanimous consent of the Board of Directors and the consent of the shareholder of the Series A Convertible Preferred Stock, we executed a First Amendment to the Certificate of Designation of Series A Convertible Preferred Stock. The amendment increased the authorized Series A Convertible Preferred Stock to 6,000 shares, terminated dividend rights, and changed the conversion ratio from 100 shares of common stock to 833.33 shares of common stock for each share of Series A Convertible Preferred Stock.

On August 4, 2005, pursuant to the unanimous consent of the Board of Directors and the consent of the shareholder of the Series B Convertible Preferred Stock, we executed a First Amendment to the Certificate of Designation of Series B Convertible Preferred Stock. The amendment increased the conversion ratio from 4.28 shares of common stock to 7.56 shares of common stock for each share of Series B Convertible Preferred Stock.

Part II

Item 5. Market for Common Equity and Related Stockholder Matters

Market Information

Our common stock is currently quoted on the OTC Bulletin Board under the symbol "SPMI". Although our common stock is quoted on the OTC Bulletin Board, there has been limited trading, at widely varying prices, and trading to date has not created an active market for our common stock. Thus, the prices at which trades occurred may not be representative of the actual value of our common stock. On a number of days during this period, there were no trades at all in our common stock.

The following table sets forth the high and low bid information for each quarter of the last two fiscal years of 2004 and 2005, as provided by the Nasdaq Stock Markets, Inc. (adjusted to reflect a 1-for-10 reverse stock split on January 20, 2006). The prices listed below are quotations, which reflect inter-dealer prices, without retail markup, markdown, or commission, and may not represent actual transactions.

	High	Low
Fiscal year ended December 31, 2004:		
First Quarter	$ 12.50	$ 3.80
Second Quarter	$ 8.00	$ 5.10
Third Quarter	$ 6.80	$ 5.00
Fourth Quarter	$ 5.40	$ 1.70
Fiscal year ended December 31, 2005:		
First Quarter	$ 4.90	$ 2.40
Second Quarter	$ 3.10	$ 1.50
Third Quarter	$ 2.90	$ 0.70
Fourth Quarter	$ 1.50	$ 0.70
Fiscal year ended December 31, 2006:		
First Quarter (Through February 28th)	$ 1.25	$ 0.50

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure relating to the market for penny stocks in connection with trades in any stock defined as a penny stock. The Commission has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than $5.00 per share, subject to a few exceptions which we do not meet. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated therewith.

Holders

As of December 31, 2005, there were 26,835,808 shares of our common stock issued and outstanding, not adjusted for the reverse stock split, and held by 103 shareholders of record. As of March 8, 2006, after the reverse stock split, there were 2,873,598 shares of our common stock issued and outstanding and held by 102 shareholders of record. As of December 31, 2005 and March 8, 2006, there were 5,133 shares of Series A Convertible Preferred Stock issued and outstanding and held of record by two shareholders. As of December 31, 2005 and March 8, 2006, there were 2,500,000 and 2,481,481 shares of our Series B Convertible Preferred Stock issued and outstanding, respectively, and held of record by one shareholder.

Dividends

We have never declared or paid a cash dividend on our common stock and we do not expect to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain our earnings, if any, for use in our business. Any dividends declared on our common stock in the future will be at the discretion of our Board of Directors.

We previously were obligated to pay cumulative dividends at an annual rate of 7% on the outstanding Series A Convertible Preferred Stock. At our option, we could have paid these dividends in cash or in additional shares of our common stock. On October 14, 2005, the holders of Series A Convertible Preferred Stock consented to the termination of dividend accruals on the Series A Convertible Preferred Stock. Pursuant to the GCA Exchange Agreement, GCA exchanged the $302,847 in cumulative dividends due and owing under 2,500 shares of Series A Convertible Preferred Stock through October 14, 2005 for additional shares of Series A Convertible Preferred Stock and common stock purchase warrants.

Our Series B Convertible Preferred Stock does not pay a dividend.

Securities Authorized for Issuance Under Equity Compensation Plans

We have adopted two stock option plans. On May 15, 2001, our directors and shareholders approved the SKTF, Inc. 2001 Stock Option Plan, effective June 1, 2001. At our annual shareholders meeting on August 27, 2003, our shareholders approved an amendment to the plan, changing its name to the Speedemissions, Inc. 2001 Stock Option Plan, and increasing the number of shares of our common stock available for issuance under the plan from 60,000 shares to 100,000 shares. As of March 8, 2006, we have issued options to acquire 84,975 shares of our common stock under the plan at prices ranging from $2.00 to $5.15 per share, and we have issued 5,000 shares of common stock under the plan.

At our annual 2005 meeting, the shareholders approved the 2005 Omnibus Stock Grant and Option Plan (the "2005 Plan"), effective September 1, 2005. We may issue options for up to 250,000 shares of our common stock. For purposes of the 2005 Plan, each year of the plan commences on September 1. On September 1 of each new plan year, the number of shares in the 2005 Plan is automatically adjusted to an amount equal to 10% of outstanding shares of common stock on August 31 of the immediately preceding plan year. As of March 8, 2006, under the 2005 Plan we have issued 238,500 shares or options at an exercise price of $1.00 per share.

We filed a Form S-8 with the Securities and Exchange Commission on December 8, 2005 registering the 250,000 shares of our common stock available under the 2005 Plan.

As of December 31, 2005, the plan information is as follows:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	318,475		