

SPEDEMISSIONS INC
Form 10-Q
November 14, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

.. **TRANSITION REPORT PURSUANT TO 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.

(Exact name of registrant as specified in its charter)

Edgar Filing: SPEEDEMISSIONS INC - Form 10-Q

Florida (State or other jurisdiction of incorporation or organization)	33-0961488 (I.R.S. Employer Identification No.)
1015 Tyrone Road Suite 220	
Tyrone, GA (Address of principal executive offices)	30290 (Zip Code)
Issuer's telephone number (770) 306-7667	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>

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

As of November 1, 2011, there were 34,388,166 shares of common stock, par value \$0.001, issued and outstanding.

Table of Contents

Speedemissions, Inc.

TABLE OF CONTENTS

<u>Cautionary Statement Relevant to Forward-Looking Information</u>	3
<u>PART I FINANCIAL INFORMATION</u>	
<u>ITEM 1 Financial Statements</u>	4
<u>ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>ITEM 3 Quantitative and Qualitative Disclosures About Market Risk</u>	18
<u>ITEM 4 Controls and Procedures</u>	18
<u>PART II OTHER INFORMATION</u>	
<u>ITEM 1 Legal Proceedings</u>	18
<u>ITEM 1A Risk Factors</u>	18
<u>ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
<u>ITEM 3 Defaults Upon Senior Securities</u>	18
<u>ITEM 4 Reserved</u>	18
<u>ITEM 5 Other Information</u>	18
<u>ITEM 6 Exhibits</u>	19

Table of Contents

CAUTIONARY STATEMENT RELEVANT TO FORWARD-LOOKING INFORMATION

This quarterly report on Form 10-Q of Speedemissions, Inc. (Speedemissions or the Company) contains forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the Exchange Act). These statements are based on management s current expectations, estimates and projections about the emissions testing and safety inspection industry. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements also include statements in which words such as expects, anticipates, intends, plans, believes, estimates, considers and similar expressions are intended to identify such forward-looking statements.

Forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties, and other factors, some of which are beyond the Company s control and are difficult to predict. The Company s future results and shareholder values may differ materially from those expressed or forecast in these forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this report. Unless legally required, Speedemissions undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Speedemissions, Inc. and Subsidiaries****Consolidated Balance Sheets**

	September 30, 2011 (unaudited)	December 31, 2010
Assets		
Current assets:		
Cash	\$ 179,264	\$ 261,600
Notes receivable - current portion	19,500	12,000
Certificate and merchandise inventory	68,622	77,401
Other current assets	83,103	58,819
Total current assets	350,489	409,820
Notes receivable, net of current portion	87,533	89,643
Property and equipment, at cost less accumulated depreciation and amortization	580,433	728,016
Goodwill	2,349,066	2,349,066
Other assets	105,403	105,603
Total assets	\$ 3,472,924	\$ 3,682,148
Liabilities and Shareholders' Deficit		
Current liabilities:		
Line of credit	\$ 60,280	\$
Accounts payable	143,012	182,499
Accrued liabilities	190,584	196,829
Current portion of capitalized lease obligations	48,680	44,632
Current portion of equipment financing obligations	24,272	21,778
Current portion - deferred rent	35,776	35,776
Total current liabilities	502,604	481,514
Capitalized lease obligations, net of current portion	4,307	41,339
Equipment financing obligations, net of current portion	6,251	23,788
Deferred rent	107,784	159,820
Note payable	55,000	55,000
Other long term liabilities	7,350	7,350
Total liabilities	683,296	768,811
Commitments and contingencies		
Series A convertible, redeemable preferred stock, \$.001 par value, 5,000,000 shares authorized, 5,133 shares issued and outstanding; liquidation preference: \$5,133,000	4,579,346	4,579,346
Shareholders' deficit:		
Series B convertible preferred stock, \$.001 par value, 3,000,000 shares authorized, 63,981 shares issued and outstanding with a liquidation preference of \$164,306 at September 30, 2011 and 215,981 shares issued and outstanding with a liquidation preference of \$554,642 at December 31, 2010	64	216
	33,834	22,789

Edgar Filing: SPEEDEMISSIONS INC - Form 10-Q

Common stock, \$.001 par value, 250,000,000 shares authorized, 33,904,466 and 22,789,288 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively

Additional paid-in capital	15,917,549	15,806,600
Accumulated deficit	(17,741,165)	(17,495,614)
Total shareholders' deficit	(1,789,718)	(1,666,009)
Total liabilities and shareholders' deficit	\$ 3,472,924	\$ 3,682,148

See accompanying notes to consolidated financial statements.

Table of Contents**Speedemissions, Inc. and Subsidiaries****Consolidated Statements of Operations****(unaudited)**

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Revenue	\$ 2,164,562	\$ 2,313,816	\$ 6,428,518	\$ 7,262,663
Costs of operations:				
Cost of emission certificates	469,756	498,599	1,420,251	1,607,340
Store operating expenses	1,368,170	1,487,037	4,193,946	4,579,162
General and administrative expenses	334,822	380,301	1,091,861	1,261,924
(Gain) loss on disposal of assets	(2,660)		(43,282)	9,713
Gain from settlement of lawsuit		(106,881)		(106,881)
Operating income (loss)	(5,526)	54,760	(234,258)	(88,595)
Interest income (expense)				
Interest income	760	1,272	2,280	1,900
Interest expense	(4,366)	(4,937)	(13,573)	(17,174)
Interest expense, net	(3,606)	(3,665)	(11,293)	(15,274)
Net income (loss)	\$ (9,132)	\$ 51,095	\$ (245,551)	\$ (103,869)
Basic net income (loss) per share	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)
Diluted net income (loss) per share	\$ 0.00	\$ 0.00	\$ (0.01)	\$ (0.01)
Weighted average common shares outstanding, basic	33,764,249	13,179,213	29,813,331	9,570,761
Weighted average common shares outstanding, diluted	33,764,249	17,456,711	29,813,331	9,570,761

See accompanying notes to consolidated financial statements.

Table of Contents**Speedemissions, Inc. and Subsidiaries****Consolidated Statements of Cash Flows****(unaudited)**

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (245,551)	\$ (103,869)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	155,180	206,088
(Gain) loss on disposal of assets	(43,282)	9,713
Stock issued for services	3,000	
Share-based compensation	54,842	25,201
Gain from settlement of lawsuit		(106,881)
Changes in operating assets and liabilities:		
Certificate and merchandise inventory	8,779	(18,633)
Other current assets	(24,283)	(42,481)
Other assets	200	(1,800)
Accounts payable and accrued liabilities	(45,734)	33,596
Other liabilities	(54,552)	(30,781)
Net cash used in operating activities	(191,401)	(29,847)
Cash flows from investing activities:		
Proceeds from note receivable	12,127	3,742
Proceeds from sales of property and equipment	31,623	20,000
Purchases of property and equipment	(10,938)	(60,449)
Net cash provided by (used in) investing activities	32,812	(36,707)
Cash flows from financing activities:		
Net proceeds from warrant exercise	64,000	
Net proceeds from line of credit	60,280	
Payments on equipment financing obligations	(15,043)	(14,716)
Payments on capitalized leases	(32,984)	(44,547)
Net cash provided by (used in) financing activities	76,253	(59,263)
Net decrease in cash	(82,336)	(125,817)
Cash at beginning of period	261,600	449,203
Cash at end of period	\$ 179,264	\$ 323,386
Supplemental Information:		
Cash paid during the period for interest	\$ 13,573	\$ 16,513
Supplemental Disclosure of Non-Cash Activity:		
Note receivable from disposal of assets	\$ 15,000	\$

See accompanying notes to consolidated financial statements.

Table of Contents

Speedemissions, Inc.

Notes to Consolidated Financial Statements