SPEEDEMISSIONS INC
Form 10-K
April 22, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended: December 31, 2014.

¨ 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)

Florida	33-0961488
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1015 Tyrone Road, Suite 710
Tyrone, Georgia 30290
(Address of principal executive offices)

Registrant's telephone number (770) 306-7667

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class
Common stock, par value $0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K. Yes o No x

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 ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price of the stock on such date was $504,713.

As of April 17, 2015, 108,964,225 shares of common stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with our 2015 Annual Meeting of Shareholders are incorporated by reference in Part III herein.

Speedemissions, Inc.
FORM 10-K

For the fiscal year ended December 31, 2014

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that look to future events and consist of, among other things, statements about our anticipated future income including the amount and mix of revenue among type of product, category of customer, geographic region and distribution method and our anticipated future expenses and tax rates. Forward-looking statements include our business strategies and objectives and include statements about the expected benefits of our strategic alliances and acquisitions, our plans for the integration of acquired businesses, our continued investment in complementary businesses, products and technologies, our expectations regarding product acceptance, product and pricing competition, cash requirements and the amounts and uses of cash and working capital that we expect to generate. The words “may,” “would,” “should,” “will,” “assume,” “believe,” “plan,” “expect,” “anticipate,” “could,” “estimate,” “predict,” “g “project,” and similar expressions or the negative of these terms or other comparable terminology are meant to identify such forward-looking statements. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to business and economic risks, uncertainties and assumptions that are difficult to predict, including those identified below in Item 1A, “Risk Factors” as well as in Item 1, “Business” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K. Therefore, our actual results may differ materially and adversely from those expressed in any forward-looking statements. We cannot assume responsibility for the accuracy and completeness of forward-looking statements, and we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Part I

Item 1. Business

Overview

Speedemissions, Inc. is one of the largest test-only emissions testing and safety inspection companies in the United States. We perform vehicle emissions testing and safety inspections in certain cities in which vehicle emissions testing is mandated by the United States Environmental Protection Agency (“EPA”). As of April 17, 2015, we operated 22 vehicle emissions testing and safety inspection stations under the trade names of Speedemissions and Auto Emissions Express (in Atlanta, Georgia and St. Louis, Missouri) and Just Emissions (in Salt Lake City, Utah). We also operate three mobile testing units in the Atlanta, Georgia area which service automotive dealerships and local government agencies. We manage our operations based on these four regions, and we have one reportable segment. References in this document to “Speedemissions,” “Company,” “we,” “us” and “our” mean Speedemissions, Inc. and our consolidated subsidiaries.

We use computerized emissions testing and safety inspections equipment that test vehicles for compliance with vehicle emissions and safety standards. We purchase or lease these computerized testing systems from state approved equipment vendors. Our revenues are mainly generated from the testing or inspection fees charged to the registered owner of the vehicle. As a service to our customers, we also sell automotive parts and supplies such as windshield wipers, taillight bulbs and gas caps. In addition, we perform a limited amount of other services, including oil changes and headlight restorations, at select locations. However, we do not provide major automotive repair services.

On June 22, 2010, the Company announced the launch of its first iPhone application, Carbonga. Carbonga diagnoses an automobile’s computer system using the on board diagnostic port on vehicles that were produced since 1996. Carbonga can check over 2,000 vehicle fault codes. We launched version two of Carbonga on February 16, 2011. Version two improved the speed and performance of the application and has additional features, including the ability to receive vehicle safety recalls and Technical Service Bulletins, for an annual subscription fee.

During the quarter ended September 30, 2012, we formed a new company, SpeedEmissions Car Care, LLC, through which we will franchise our vehicle emissions and safety inspections store model. Franchises will be available to qualified store operators who have an interest in either a single- or multi-location opportunity in select cities where vehicle emissions testing/safety inspections and other automotive services are required. We signed an agreement with an Atlanta based franchise consulting company to assist with our plan to franchise our business model into a number of new U.S. markets. We believe that the franchising vehicle will increase our retail store presence. After securing approval for all the necessary disclosure documents, we began marketing franchises in the fourth quarter of 2012. However, as of December 31, 2014, we have sold no franchises.

On November 30, 2012, we completed the acquisition of certain operating assets comprising five emission testing centers owned by Auto Emissions Express, LLC ("AEE"), a Georgia corporation. At the time AEE owned and operated 12 emission testing centers in the Atlanta, Georgia area, including the five emission testing centers that we purchased.

On April 11, 2013, we sold the assets comprising three of our Texas stores for $110,000. We received $50,000 cash at closing and a note receivable for $60,000. The principal amount of the note is payable in equal monthly payments over a 12-month period plus interest at 5.0% per annum.

In June 2013, we announced an expansion in our business model pursuant to which we planned to move into a new market with the opening of up to 24 emission testing stores over the next two years, assuming we obtained the financing to do this. In 2013, we engaged an investment banking firm to assist us in acquiring up to $3,000,000 in new capital to serve as a source of financing for our planned expansion. However, we were unsuccessful in raising the necessary capital and the expansion model was abandoned during 2014.

On October 25, 2013, we completed the acquisition of certain operating assets comprising the remaining seven emission testing centers owned by AEE. AEE originally owned and operated 12 emission testing centers in the Atlanta, Georgia area, consisting of the seven emission testing centers that we purchased in October 2013 and the five emission testing centers that we purchased in November 2012 as discussed above.

During the three months ended June 30, 2014, we sold the assets comprising six of our Houston, Texas stores for a combined amount of $220,000, consisting of $152,500 in cash and notes receivable for $67,500. The principal amount of the note is payable in equal monthly payments over a 12-month period with no interest.

On December 5, 2014, we sold the assets comprising five of our six Salt Lake City, Utah stores for $1,350,000 in cash. After taking into consideration the sale of these five emissions testing centers, we now operate 22 emission testing centers in Atlanta, Georgia, St. Louis, Missouri and Salt Lake City, Utah metropolitan areas, plus three mobile testing units in the Atlanta, Georgia area.

Recent Developments

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that may be necessary in the event the Company cannot continue as a going concern.

Net loss for the year ended December 31, 2014 was $773,180 or $(0.01) per share, compared to a net loss of $814,482 or $(0.02) per share for the year ended December 31, 2013. Revenues for the year ended December 31, 2014 decreased $1,517,244, or 21.4%, to $5,578,693 from $7,095,937 in the year ended December 31, 2013.

We have experienced recurring net losses which have caused an accumulated deficit of $21,317,903 at December 31, 2014. We had a working capital deficit of $1,041,752 at December 31, 2014 compared to a working capital deficit of $2,059,921 at December 31, 2013.

Our revenues for the fiscal year ended December 31, 2014 and for the fiscal years ended December 31, 2013 and 2012 have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. Our near-term liquidity and ability to continue as a going concern is dependent on our ability to generate sufficient revenues from our store operations to provide sufficient cash flow from operations to pay our current level of operating expenses, to provide for inventory purchases and to reduce past due amounts owed to vendors and service providers. No assurances can be given that we will be able to achieve sufficient levels of revenues in the near-term to provide adequate levels of cash flow from operations. As a result of our history of losses and financial condition, there is substantial doubt about the ability of the Company to continue as a going concern.

On June 8, 2012, the Company entered into a revolving line of credit agreement (the "Credit Agreement") with TCA Global Credit Master Fund, LP ("TCA"), pursuant to which TCA agreed to loan the Company up to a maximum of $2,000,000 for working capital purposes. In June 2012, the Company obtained a loan from TCA in the amount of $350,000 to use for working capital purposes and, in October 2012, the Company entered into the First Amendment to Credit Agreement with TCA (the "Amended Credit Agreement") pursuant to which the Company received an additional loan in the amount of $550,000 to use for the purchase of five emissions testing stores owned by AEE as described above. On October 23, 2013, the Company entered into the Second Amendment to Credit Agreement with TCA (the "Second Amended Credit Agreement"), pursuant to which TCA agreed to increase the revolving loan from $900,000 to $1,300,000 and, in connection therewith, the Company received an additional loan in the amount of $400,000 to finance the acquisition of the remaining seven emission testing centers owned by AEE, as described above, and to provide working capital (see also Note 9 to the financial statements).

On June 30, 2014, due to insufficient cash flow, we ceased making required monthly principal payments on our line of credit facility with TCA and were in default under the terms of the Credit Agreement at that time. On August 6, 2014, we received notice of Demand for Payment of $791,207 before the close of business on August 19, 2014. According to the notice, the demand was a result of failure to make timely payments. Also, demand was made of Richard Parlontieri, our President, Chief Executive Officer and Chief Financial Officer, personally, as guarantor, pursuant to the Validity Guaranty, dated June 8, 2012 and affirmed and ratified on October 23, 2013 (the "Guaranty"). Under the terms of the Guaranty, Mr. Parlontieri agreed that the Company would maintain ownership of all collateral and would refrain from disposing or encumbering any collateral without TCA's express written consent. TCA alleged that Mr. Parlontieri had not complied with this agreement and was in default of the Guaranty. On December 8, 2014, using cash proceeds from the sale of five of our Utah stores (as described above), the Company paid all amounts due to TCA under the Credit Agreement, was released by TCA from any future claims related to previous alleged violations of the terms of the Credit Agreement and effectively terminated the Credit Agreement. Due to the Company's financial position, it has been unable to secure a replacement revolving credit agreement and must rely primarily on cash flow from operations to fund working capital needs.

During the past two years, we have made reductions in employee headcount, sold or closed unprofitable stores, and reduced store operating expenses, corporate overhead and other operating expenses. At December 31, 2014, our primary source of liquidity for cash flows was cash received from our store operations. We are dependent on our revenues in the very near term to provide sufficient cash flow from operations to pay our current level of operating expenses, to provide for inventory purchases and to reduce past due amounts owed to landlords, vendors and service providers. No assurances may be given that the cash received from our store operations will be sufficient to cover our ongoing operating expenses. If the cash received from our store operations is not sufficient, we would need to obtain new financing or raise additional capital to continue as a going concern and to execute our business plan. There is no assurance that such financing or capital would be available or, if available, that we would be able to complete financing or a capital raise on satisfactory terms to allow us to continue as a going concern.

During the years ended December 31, 2014 and 2013, due to insufficient cash flow from operations and borrowing limitations under our line of credit facility, we have been extending payments owed to landlords and vendors beyond normal payment terms and deadlines. Until such vendors are paid within normal payment terms, no assurances can be given that required services and materials needed to support our operations will continue to be provided. In addition, no assurances can be given that vendors will not pursue legal means to collect past due balances owed. Any interruption of services or materials would likely have an adverse impact on our operations and could impact our ability to continue as a going concern.

On December 13, 2013 and on January 10, 2014, the Circuit Court in the Twelfth Judicial Circuit in and for Sarasota County, Florida (the "Court"), entered an Order Granting Approval of Settlement Agreement (the "Order") approving, among other things, the fairness of the terms and conditions of an exchange pursuant to Section 3(a)(10) of the Securities Act of 1933 (the "Securities Act"), in accordance with a Settlement Agreement (the "Settlement Agreement") between the Company and IBC Funds, LLC, a Nevada limited liability company ("IBC"), in the matter entitled IBC Funds, LLC, vs. SpeedEmissions, Inc., Case Nos. 2013 CA 008762 NC and 2014 CA 000153 (the "Actions"). IBC commenced the Actions against us to recover an aggregate of $205,643 of past-due accounts payable, which IBC had purchased from certain of our vendors pursuant to the terms of separate claim purchase agreements between IBC and each of the respective vendors (the "Assigned Accounts), plus fees and costs (the "Claim"). The Assigned Accounts relate to certain research, technical, development and legal services. The Order provides for the full and final settlement of the Claim and the Action. The Settlement Agreement became effective and binding on December 13, 2013 and January 10, 2014, respectively.

The Settlement Agreement provides that in no event shall the number of shares of common stock issued by the Company to IBC or its designee in connection with the Settlement Agreement, when aggregated with all other shares of common stock then beneficially owned by IBC and its affiliates (as calculated pursuant to Section 13(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations thereunder), result in the beneficial ownership by IBC and its affiliates (as calculated pursuant to Section 13(d) of the Exchange Act and the rules and regulations thereunder) at any time of more than 9.99% of the common stock of the Company. Pursuant to the Settlement Agreement, the Company issued 59,098,059 of its common shares to IBC during the year ended December 31, 2014, in full satisfaction of all amounts due IBC under the Settlement Agreement.

Furthermore, the Settlement Agreement provides that, for so long as IBC or any of its affiliates hold any shares of common stock of the Company, the Company and its affiliates are prohibited from, among other things, voting any securities of the Company in favor of: (1) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, (2) a sale or transfer of a material amount of the Company’s assets or its subsidiaries’ assets, (3) any material change in the Company’s present capitalization or dividend policy, (4) any other material change in the Company’s business or corporate structure, (5) a change in the Company’s charter, bylaws, or instruments corresponding thereto (6) causing a class of the Company’s securities to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association, (7) causing a class of the Company’s equity securities to become eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act, (8) terminating the Company’s transfer agent, (9) taking any action which would impede the purposes and objects of the Settlement Agreement or (10) taking any action, intention, plan or arrangement similar to any of those enumerated above. These prohibitions may not be modified or waived without further order of the Court.

On May 29, 2014, the Company entered into a promissory note agreement with Thomas Chorba, pursuant to which Thomas Chorba loaned the Company $50,000 for working capital purposes. Under the terms of the promissory note, the Company agreed to repay the loan, plus interest, for a total amount of $56,000 by December 31, 2015. Under the terms of the note, the Company will make 18 monthly payments of $3,111 each which yields an effective annual interest rate of 7.9%.

On May 30, 2014, the Company entered into a repayment agreement (the "Repayment Agreement") with TVT Capital, LLC ("TVT"), pursuant to which the Company agreed to repay TVT $75,000 from a loan made by TVT to the Company, plus a fixed fee which the Company will record as interest expense, for a total amount of $112,425 by October 27, 2014. Under the terms of the Repayment Agreement, TVT is authorized to make daily bank debits of $1,099 on each available banking day during the term of the Repayment Agreement which represents a fee rate of 49.9%. On September 16, 2014, the Company re-negotiated its Repayment Agreement with TVT to obtain additional funding totaling $67,077. Under the terms of the amended Repayment Agreement, the Company agreed to repay the remaining balance from the June 3, 2014 funding, plus the current funding, for a total of $100,000, plus a fixed fee which the Company will record as interest expense, representing a total amount of $149,000 by April 16, 2015. Under the terms of the amended Repayment Agreement, TVT is authorized to make daily bank debits of $1,199 on each available banking day during the term of the Repayment Agreement which represents a fee rate of 49.0%.

Due to non-payment of insurance premiums, the Company's insurance carrier cancelled the Company's general liability, property and casualty and automobile policies effective August 24, 2014. Also, due to non-payment of insurance premiums, the Company's insurance carrier cancelled the Company's workers' compensation policy effective September 13, 2014. However, as of October 14, 2014, all of these policies were re-instated. The Company's director and officers' liability policy was unaffected by this short-term cancellation.

On October 24, 2014, the Company entered into a merchant sales agreement (the "Merchant Agreement") with Entrepreneur Now, LLC ("EN"), pursuant to which the Company agreed to repay EN $50,000 from a loan made by EN to the Company, plus a fixed fee which the Company will record as interest expense, for a total amount of $72,000 by March 2, 2015. Under the terms of the Merchant Agreement, EN is authorized to make daily bank debits of $1,000 on each available banking day during the term of the Merchant Agreement which represents a fee rate of 44.0%.

On November 5, 2014, the Company entered into a promissory note agreement with Dianna Parlontieri, wife of the Company's President, Chief Executive Officer and Chief Financial Officer, pursuant to which Mrs. Parlontieri loaned the Company $20,000 for working capital purposes. Under the terms of the promissory note, the Company agreed to repay the loan, plus interest, for a total amount of $20,400 by December 15, 2014. Because the Company did not repay the loan in full by December 15, 2014, the Company is required to repay $1,700 on the 15th of each month, starting December 15, 2014, until the loan is re-paid in full. If any of the monthly payments are not paid on the respective due date then the monthly payment amount is subject to a default interest rate of 10% per annum. The Company is currently in default of the terms of this promissory note as it did not make the required repayment on December 15, 2014 and has not made any of the required monthly payments as of the date of this report.

On November 18, 2014, the Company entered into a revenue based factoring agreement (the "Factoring Agreement") with Samson Partners, LLC ("SP"), pursuant to which the Company agreed to repay SP $35,000 from a loan made by SP to the Company, plus a fixed fee which the Company will record as interest expense, for a total repayment amount of $43,750 by February 9, 2015. Under the terms of the Factoring Agreement, SP is authorized to make daily bank debits of $875 on each available banking day during the term of the Factoring Agreement which represents a fee rate of 25.0%.

Our Typical Testing Center

Our testing centers generally are located in freestanding buildings in areas with high vehicle traffic counts, good visibility and easy access to major roadways. 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 that vehicles can “drive-through” the facility. We also have structures that resemble a bank drive-through facility. We believe that we are creating brand awareness in our current testing stations by using recognizable building style and façade, consistent color schemes, signs and employee uniforms, and by advertising in select local markets. Computerized testing systems are located in each building to test vehicle emissions and vehicle safety if applicable in that state.

Most of our emissions testing stations are open for business during weekdays between the hours of 8:00 a.m. and 6:00 p.m., and from 8:30 a.m.to 5:00 p.m. on Saturdays. The average emissions test in Georgia takes approximately eight to 12 minutes to complete. In Missouri and Utah, because of the safety inspection, the completion time is slightly longer.

There are two types of primary emissions tests that are performed, the Accelerated Simulated Model (“ASM”) and the On-Board Diagnostic (“OBD”). The ASM test is performed on vehicles 1995 and older, while the OBD test is conducted on vehicles 1996 and newer. In selected markets, a vehicle safety inspection is required to be performed. These tests apply to vehicles generally manufactured from 1983 through 2005, depending on the state. We generally operate one or two testing lanes at each testing center depending upon the size of the building. We typically lease the building from the property owners, although we have constructed several buildings on land leases in the past which is no longer a practice we follow.

In our Atlanta, Georgia locations, under the guidelines of the Georgia Clean Air Force ("GCAF") program, the mobile vehicle emissions testing units are only permitted to conduct the OBD test on 1996 and newer vehicles. In the Atlanta, Georgia area, we currently have four mobile units and they serve the automobile fleets of the federal, state, and local governments. All used cars in Georgia, prior to being re-sold, must have a vehicle emissions test, and we serve selected new and used car dealers throughout the greater Atlanta market with these mobile units.

Industry Background – Government and Regulatory Overview

The EPA reported in 2012 that approximately 148.0 million people lived in counties across the United States whose air pollution exceeded national air quality standards. According to the EPA, motor vehicles are responsible for nearly one half of the smog-forming volatile organic compounds, more than half of the nitrogen oxide emissions and about half of the toxic air pollutant emissions in the United States. Motor vehicles, including off road vehicles, now account for 75% of carbon monoxide emissions nationwide according to the EPA. In the United States, there are more than 250 million cars and light-duty trucks on the road according to the U.S. Federal Highway Administration.

The 2012 Motor Vehicle I/M Solutions Jurisdiction Report published by Sierra Research states that 32 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 if we conduct business in that state.

Public awareness of air pollution and its hazardous effects on human health and the environment has increased in recent years, which has led governmental authorities to pass more stringent pollution control measures. One especially effective measure that many governmental authorities have adopted is vehicle emissions testing. 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 to require 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, the 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 either licensed or 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, including the Company, may perform emissions tests, including those engaged primarily in other businesses, such as automotive repair shops, oil change stores and others. For many of these operators, performing emissions tests is not their primary business.

Nineteen states have implemented decentralized programs, and 10 states and the District of Columbia have implemented centralized programs. There are three states that have implemented a hybrid program, whereby the state operates its own testing stations and also allows independently operated 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 to the Clean Air Act. 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.

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, 1997 and 2010. With each of these revisions, CARB 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 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 32 states and the District of Columbia. A technician conducts these ASM tests on a dynamometer, a treadmill-type device that simulates actual driving conditions, including periods of acceleration, deceleration and cruising, or the OBD by plugging into the vehicles computerized operation system.

Emissions Testing in the State of Georgia

In 1996, the Environmental Protection Division of the State of Georgia initiated the GCAF program that required emissions testing of certain vehicles in a 13 county area surrounding metro Atlanta, Georgia. 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, except for two of the stores acquired in the 2012 acquisition of five Georgia stores from AEE. The program requires vehicles in the 13 covered counties to undergo an emissions test 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 GCAF, there are approximately 1,000 licensed test sites and approximately 2.6 million tests are performed annually in Georgia.

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. Nearly 2 million heavy polluting vehicles have been identified and repaired since the start of the program in 1996.

Emissions Testing and Safety Inspections 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 others to conduct emissions testing and safety inspections. The Department of Health for each county manages emission testing and the Utah Highway Patrol manages the safety inspection program. The emissions tests conducted are the same as in Georgia.

All vehicles registered in Davis, Salt Lake, Utah, Weber, and Cache counties with model years less than six years old are required to have an emissions test once every two years. Vehicles with model years six years old and older (to 1975) must have an emissions test every year. Emissions' testing is not required for vehicles with model years 1975 or older. Currently, 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. The Utah State Legislature passed an amended version of Utah House Bill 298, titled Motor Vehicle Safety Inspection Amendments on March 9, 2012, which amended Utah's existing auto safety inspection law and became effective on January 1, 2013. The new bill requires vehicle safety inspections on vehicles which are four, eight and 10 years old, and then annually for the rest of the vehicle's life, rather than on odd/even model years for vehicles less than eight years old and annually for all other vehicles under the former law. Vehicle emissions testing laws in Utah were not impacted by Utah House Bill 298.

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.

Emissions Testing and Safety Inspections in the State of Missouri

The state of Missouri’s Gateway Vehicle Inspection Program switched from a centralized program to a decentralized program on October 1, 2007. The program is administered by the Department of Natural Resources and the Missouri State Highway Patrol.

Missouri law requires all motor vehicles pass a vehicle safety inspection at an authorized inspection station every other year, unless specifically exempted from a safety inspection. New motor vehicles are exempt from the safety inspection during the first five years following the model year of manufacture.

In addition to the safety inspection, vehicles registered in St. Louis City, St. Louis County, St. Charles County, Franklin County and Jefferson County are required to have an emissions inspection every other year prior to registering the vehicle. New motor vehicles and the first retail sale of titled motor vehicles with less than 6,000 miles during the model year of the vehicle and the following year are exempt from the emissions inspection. Vehicles with a model year of 1995 and older are exempt from the ASM emissions inspections in Missouri. However, an emissions inspection is required regardless of the model year if the vehicle is sold.

Operating Strategy

Our operating strategy focuses on (a) providing our customers with fast, honest and courteous vehicle testing and inspection services, (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 emissions testing and safety inspection stations at well-traveled intersections and other locations that are easily accessible by our customers;

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

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

- Tailor each facility and use local advertising to describe the services we offer to appeal to the broadest range of consumers; and

- Aspire to expand the use of our mobile vehicle testing units by bidding on federal, state, and local governments for their fleet vehicles, as well as corporate accounts and automotive dealerships.

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 significant portion of our materials. Certificates of emissions and safety inspections are purchased from each state’s department or agency responsible for overseeing the emissions testing and safety inspections programs in that state.

Intellectual Property

We have registered the trade names “Speedemissions”, “Just Emissions” and “Carbonga” in the United States. 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 and safety inspection industry contains numerous small owner-operators. Auto repair shops, tire stores, oil change stores, muffler shops, service stations, and other emissions testing stations may offer this service. There are no national competitors at this time. We expect competition from local operators at all of our locations. We estimate our total number of competitors to be several thousand across all the markets in which we operate. 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 emissions and safety tests our stations perform, 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, provide services in addition to emissions testing, charge lower prices, and advertise and promote their businesses more effectively than we do. For example, some of our competitors in Atlanta charge only $15.00 to test a vehicle’s emissions rather than the $25.00 maximum allowed under Georgia law. As a result, we have had to reduce or discount our fees in some of our Atlanta stations. We intend to compete by creating brand awareness through advertising, standard building style and facade, consistent color scheme and uniform, and superior customer experience. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain, or 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

At December 31, 2014, we employed 53 full-time and part-time employees. None of our employees are represented by a union.

SEC Filings

We file annual, quarterly and current reports, proxy and information statements and other information with the Securities and Exchange Commission (the “SEC”). All material we file with the SEC is publicly available at the SEC’s Public Reference Room at 100 F Street NE, Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that is filed electronically with the SEC.

Website Access

Our website address is www.speedemissions.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished with the SEC pursuant to the Securities Exchange Act of 1934, as amended, will be available free of charge on our website www.speedemissions.com (under “Investor Relations”) as soon as reasonably practicable after the reports are filed with the SEC. Information on our website is not incorporated by reference into this Annual Report.

Item 1A. Risk Factors

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere and the other information contained in this report and in our other filings with the SEC, including subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We operate in a highly competitive environment that involves a number of risks. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. These known and unknown risks could materially and adversely affect our business, financial condition, operating results or liquidity, which could cause the trading price of our common stock to decline.

We may not have sufficient capital or available cash to continue as a going concern.

Our revenues during the years ended December 31, 2014, 2013 and 2012 and to date in 2015 have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. We have experienced recurring net losses from operations, which have caused an accumulated deficit of $21,317,903 at December 31, 2014. We had a working capital deficit of approximately $1,042,000 at December 31, 2014 compared to a working capital deficit of approximately $2,060,000 at December 31, 2013. Our ability to continue as a going concern will depend upon our ability to increase our revenues in the near term to attain profitable operations and to generate sufficient cash flow from operations. Should an increase in revenues not materialize, we will seek to further reduce operating costs to bring them in line with reduced revenue levels. Should we be unable to achieve near-term profitability and generate sufficient cash flow from operations, and if we are unable to sufficiently reduce operating costs, we would need to raise additional capital or increase our borrowings, or we would go out of business. No assurances can be given that operating costs can be sufficiently reduced, or if required, that additional capital or borrowings would be available to allow us to continue as a going concern. On December 8, 2014, using cash proceeds from the sale of five Utah stores, the Company paid all amounts due to TCA under the Credit Agreement, was released by TCA from any future claims related to previous alleged violations of the terms of the Credit Agreement and effectively terminated the Credit Agreement. However, due to the Company's financial position, it has been unable to secure a replacement revolving credit agreement and must rely primarily on cash flow from operations to fund working capital needs. If we are unable to continue as a going concern, our shareholders will likely lose all of their investment in the Company. The audit report relating to the Consolidated Financial Statements for the years ended December 31, 2014 contains an explanatory paragraph regarding the Company's ability to continue as a going concern. At April 17, 2015, our cash balances were approximately $7,000.

We have suffered material operating losses and have a significant working capital deficit.

We incurred net losses of $773,180 and $814,482 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, we had cash on hand of $21,729, a working capital deficit of $1,041,752, an accumulated deficit of $21,317,903, and a total shareholders' deficit of $5,047,083. You should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, have not generated net earnings on an annual basis. Various factors, such as economic conditions, regulatory and legislative considerations, and competition, have and may continue to impede our ability to generate earnings. We may not successfully address these risks and uncertainties or successfully implement our operating and acquisition strategies. If we fail to do so, we will likely go out of business. Even if we accomplish these objectives, we may not generate positive cash flows or profits.

Our line of credit with TCA was paid off and cancelled on December 8, 2014, and we have not been able to secure replacement financing.

On December 8, 2014, using cash proceeds from the sale of five of our six Utah stores, the Company paid all amounts due to TCA under the Credit Agreement and, was released by TCA from any future claims related to previous alleged violations of the terms of the Credit Agreement and effectively terminated the Credit Agreement. Due to the Company's financial position, it has been unable to secure a replacement revolving credit agreement and must rely primarily on cash flow from operations to fund working capital needs. At April 17, 2015, the outstanding balance on the loan facility was $0, and our cash balances were approximately $7,000. We are dependent on our revenues in the very near term to provide sufficient cash flow from operations to pay our current level of operating expenses, to provide for inventory purchases and to reduce past due amounts owed to landlords, vendors and service providers. No assurances may be given that the Company will be able to achieve sufficient levels of revenues in the near term to provide adequate levels of cash flow from store operations. Should we be unable to achieve near term profitability and generate sufficient cash flow from store operations, we would need to obtain new financing or raise additional capital in order to remain in business. We currently have very limited access to capital, including the public and private placement of equity securities and additional debt financing. There is no assurance that we will be able to raise sufficient capital or that any financing would be available or, if available, that we would be able to complete financing on satisfactory terms.

Continued adverse economic conditions may adversely affect our industry, business and results of operations, our ability to obtain additional financing, and the market price of our common stock.

Overall, during recent years, the business environment has been adverse for many households and businesses in the U.S. and worldwide. While economic conditions in our primary markets, as well as the U.S. and worldwide, have shown signs of improvement, there can be no assurance that this improvement will continue. These developments have and may continue to negatively affect our business, operating results, or financial condition in a number of ways. For example, current or potential customers, such as automotive dealerships, may delay or decrease spending with us or may not pay us or may delay paying us for previously provided services. In addition, if consumer spending does not increase, it may result in fewer sales of used automobiles that are subject to emissions testing and safety inspections. If our operating results do not improve significantly and our cash flow or capital resources prove inadequate, we will face even greater liquidity problems that would materially and adversely affect our results of operations and financial condition.

Our inability to pay landlords and vendors within normal trade payment terms could adversely impact our operations.

Our revenues during the years ended December 31, 2014, 2013 and 2012, as well as to date in 2015, have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. Due to insufficient cash flow from operations and borrowing limitations under our line of credit facility, we have been extending landlords and vendors beyond normal payment terms. Until such vendors are paid within normal payment terms, no assurances can be given that required services and materials needed to support our operations will continue to be provided. In addition, no assurances can be given that vendors will not pursue legal means to collect past due balances owed. Any interruption of services or materials would likely have an adverse impact on our operations.

To satisfy obligations to certain landlords and vendors, we have entered into a Section 3(a)(10) agreement with a third party, which has previously and will in the future require us to issue a significant number of shares of our common stock resulting in a significant dilution of ownership for current and future shareholders.

On December 13, 2013 and on January 10, 2014, the Circuit Court in the Twelfth Judicial Circuit in and for Sarasota County, Florida (the "Court"), entered an Order Granting Approval of Settlement Agreement (the "Order") approving, among other things, the fairness of the terms and conditions of an exchange pursuant to Section 3(a)(10) of the Securities Act, in accordance with a Settlement Agreement between the Company and IBC, in the matter entitled IBC Funds, LLC, vs. SpeedEmissions, Inc., Case Nos. 2013 CA 008762 NC and 2014 CA 000153 (the "Actions"). IBC commenced the Actions against us to recover an aggregate of $205,643 of past-due accounts payable, which IBC had purchased from certain of our vendors pursuant to the terms of separate claim purchase agreements between IBC and each of the respective vendors (the "Assigned Accounts), plus fees and costs (the "Claim"). The Assigned Accounts relate to certain research, technical, development and legal services. The Order provides for the full and final settlement of the Claim and the Action. The Settlement Agreement became effective and binding on December 13, 2013 and January 10, 2014.

The Settlement Agreement provides that in no event shall the number of shares of common stock issued by the Company to IBC or its designee in connection with the Settlement Agreement, when aggregated with all other shares of common stock then beneficially owned by IBC and its affiliates (as calculated pursuant to Section 13(d) of the Exchange Act and the rules and regulations thereunder), result in the beneficial ownership by IBC and its affiliates (as calculated pursuant to Section 13(d) of the Exchange Act and the rules and regulations thereunder) at any time of more than 9.99% of the common stock of the Company. Pursuant to the Settlement Agreement, the Company issued 59,098,059 of its common shares to IBC during the year ended December 31, 2014, in full satisfaction of all amounts due IBC under the Settlement Agreement.

Furthermore, the Settlement Agreement provides that, for so long as IBC or any of its affiliates hold any shares of common stock of the Company, the Company and its affiliates are prohibited from, among other things, voting any securities of the Company in favor of: (1) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its subsidiaries, (2) a sale or transfer of a material amount of the Company's assets or its subsidiaries' assets, (3) any material change in the Company's present capitalization or dividend policy, (4) any other material change in the Company's business or corporate structure, (5) a change in the Company's charter, bylaws, or instruments corresponding thereto (6) causing a class of the Company's securities to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association, (7) causing a class of the Company's equity securities to become eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act, (8) terminating the Company's transfer agent, (9) taking any action which would impede the purposes and objects of the Settlement Agreement or (10) taking any action, intention, plan or arrangement similar to any of those enumerated above. These prohibitions may not be modified or waived without further order of the Court.

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 the same shareholder upon conversion of preferred stock.

Our largest shareholder, GCA Strategic Investment Fund Limited ("GCA"), and its affiliates, own 17,421,861 shares, or approximately 16.0%, of our common stock outstanding as of December 31, 2014. Upon conversion of their Series A Convertible Preferred Stock, GCA and its affiliates could own up to 21,699,359 shares of our common stock, which would represent 19.5% of our outstanding shares of common stock on a pro forma basis as of December 31, 2014. If the shareholder sold a large number of shares of our common stock into the public market, it could have a negative impact on our stock price. In addition, as a result of the shareholder's ownership in the Company, the shareholder is able to exercise significant influence on our business including influence over election of our Board of Directors and the authorization of other corporate actions requiring shareholder approval. In deciding on how to vote on certain proposals, our shareholders should be aware that GCA and its affiliates may have interests that are different from, or in addition to, the interests of our other shareholders.

There are a large number of shares of preferred stock which if converted will result in substantial dilution of the current common shareholders' interests.

As of April 17, 2015, there were 108,964,225 shares of common stock outstanding. If all preferred stock is converted to common stock, there will be 113,241,723 shares of common stock outstanding. As a result, a shareholder's proportionate interest in the Company will be substantially diluted.

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 acquires beneficial ownership of 33 1/3% or more of the outstanding shares of common stock without the prior written consent of GCA, we could be required to redeem the Series A Convertible Preferred Stock issued to GCA 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 our stock 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 our common stock.

There is an extremely limited market for our common 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. Currently, there are no consistent 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 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 it is unlikely that an active and liquid market for our common stock will develop 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.

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

As noted above, our common stock is quoted on the OTC Bulletin Board. Broker-dealer practices in connection with transactions in “penny stocks” are regulated by certain penny stock rules adopted by the SEC. 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 The NASDAQ Stock Market. 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.

We do not intend to pay dividends on our common stock.

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future.

We may issue additional shares of common or preferred stock, which may dilute the interests of our shareholders and may adversely impact the market price of our common stock.

We are currently authorized to issue up to 250,000,000 shares of common stock, of which 108,964,225 shares are outstanding as of December 31, 2014, and up to 5,000,000 shares of preferred stock, of which 5,133 shares are outstanding as of December 31, 2014. We may need to raise additional capital in the future by issuing additional shares of common and/or preferred stock. If we determine, for any reason, that we need to raise capital, our Board of Directors generally has the authority, without action by or vote of the shareholders, to issue all or part of any authorized but unissued shares of stock for any corporate purpose, including issuance of equity-based incentives under or outside of our equity compensation plans. Additionally, we are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. Any issuance of additional shares of common stock or preferred stock will dilute the percentage ownership interest of our shareholders and may dilute the book value per share of our common stock.

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 and vehicle safety. At this time, Georgia, Missouri and Utah laws are especially important to us because all of our existing emissions testing and safety inspection services are conducted in those states. Changes in federal, state or local laws that govern or apply to our operations could have a materially 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 procedures in our markets. For example, the Utah State Legislature passed an amended version of Utah House Bill 298, titled Motor Vehicle Safety Inspection Amendments on March 9, 2012. Signed by the Governor, the final bill amends Utah's existing auto safety inspection law and became effective on January 1, 2013. The new bill requires vehicle safety inspections on vehicles which are four, eight and 10 years old, and then annually for the rest of the vehicle's life, rather than on odd/even model years for vehicles less than eight years old and annually for all other vehicles under the former law. Vehicle emissions testing laws in Utah were not impacted by Utah House Bill 298. This change will reduce the number of vehicles required to be tested in any given year. 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 centralized system whereby the state, as opposed to private operators, performs vehicle emissions testing. The legislatures in the states in which we operate routinely have bills sponsored which would reduce or eliminate the need for our services in these states. No assurances can be made that changes in federal or state law would not have a materially adverse effect on the vehicle emissions testing and safety inspection industry generally or, specifically, on our business.

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

Our testing stations face competition from other emissions testing and safety inspection operators that are located near our sites. The markets we operate in are highly fragmented and our competitors generally consist of independent auto repair service providers, service stations, oil and tire repair stores and independent test-only facilities that may only operate a single station. We estimate our total number of competitors to be several thousand across all the markets in which we operate. We expect such competition whenever and wherever we open or acquire a station. Our revenue from emissions testing and safety inspections 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 $15.00 to test a vehicle rather than the $25.00 maximum allowed under Georgia law. As a result, we have reduced our fees in several of our Atlanta stations. Although we believe our stations are well positioned to compete, we cannot assure you that our stations will maintain, or increase, their current testing volumes and revenues. A decrease in testing volume or a further decline of the test fee 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.

We may be unable to generate adequate revenue from our new iPhone application, Carbonga, to cover our development expenses or our sales and marketing expenditures spent to promote Carbonga.

We may be unable to attract enough consumers to cover our development expenses or our sales and marketing expenses to promote our iPhone application, Carbonga. Our profitability could be adversely affected if we are unable to attract and retain paying customers for Carbonga to cover our ongoing expenses related to Carbonga.

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, Chief Executive Officer and Chief Financial 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 rolling three-year employment agreement with Mr. Parlontieri. We maintain key-man life insurance on Mr. Parlontieri. We may not be able to attract, or retain, competent, qualified and experienced individuals to direct and manage our business due to our limited resources. The absence of skilled persons within our company will have a materially adverse effect on us and the value of our common stock.

Our operating results may fluctuate, which makes our results difficult to predict and could cause our results to fall short of expectations, which could result in substantial losses for investors.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on our past results as an indication of our future performance. Our quarterly, year-to-date, and annual expenses as a percentage of our revenues may differ significantly from our historical or projected rates. Our operating results in future quarters may fall below expectations. Any of these events could cause our stock price to fall. Each of the risk factors listed in Item 1A and the following factors may affect our operating results:

- 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;

- Regulatory changes affecting the price we are allowed to charge or the fees required to be remitted to the state for emissions and safety services;
- Reduced commercial or consumer spending due to the current economic slowdown in the United States;
- 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.

Our business is affected by the seasonal nature of vehicle registrations.

Our business is affected by the seasonal nature of vehicle registrations in Missouri and Utah. Vehicle registrations and related emissions testing and safety inspections in these states are generally required annually based on the month in which the vehicle is purchased. Historically, this has resulted in lower registrations and emissions and safety test volumes during the winter months, our first and fourth quarters. Prior quarterly results are not indicative of our first or fourth quarter results.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price

We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal control over financial reporting for our fiscal year ended December 31, 2014. Testing and maintaining internal control can divert our management's attention from other matters that are important to our business. We expect to incur increased expense and to devote additional management resources to Section 404 compliance. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or their effect on our operations since there is presently no precedent available by which to measure compliance adequacy. If we are unable to conclude that we have effective internal control over financial reporting then investors could lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We rely extensively on computer systems to process transactions, summarize results and manage our business. Disruptions in these systems could harm our ability to run our business.

Given the number of individual transactions we process each year, it is critical that we maintain uninterrupted operation of our computer and communications hardware and software systems. Our systems could be subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches by hackers, including breaches of our transaction processing or other systems that result in the compromise of confidential customer data, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by our employees. If our systems are breached, damaged or cease to function properly, we may have to make a significant investment to fix or replace them, we may suffer interruptions in our operations in the interim, we may face costly litigation, and our reputation with our customers may be harmed. Any material interruption in our computer operations may have a material adverse effect on our business or results of operations. The risk of disruption is increased in periods where complex and significant systems changes are undertaken.

If we fail to protect the security of personal information about our customers, we could be subject to costly government enforcement actions or private litigation, and our reputation could suffer.

The nature of our business involves the receipt and storage of personal information about our customers. If we experience a data security breach, we could be exposed to government enforcement actions and private litigation. In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue usage of our services. The loss of confidence from a data security breach involving employees could hurt our reputation.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Corporate Office

We rent our general corporate offices located at 1015 Tyrone Road, Suite 710, Tyrone, Georgia, which consists of approximately 2,000 square feet of office space with a term that expires on October 31, 2017.

Testing Facilities

We lease the land and buildings we use in our emissions testing and safety inspection stations in Atlanta, St. Louis and Salt Lake City. All of our facilities are believed to be in adequate condition for their intended purposes and adequately covered by insurance. The following table shows the store locations for our 23 stores as of December 31, 2014:

Location	Number of Stores
Georgia	21
Missouri	1
Utah	1
Total	23

Item 3. 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.

During 2010, the Company filed a Demand for Arbitration claim for $2,900,000, plus legal fees, against the former owners of Mr. Sticker, Inc. (“Mr. Sticker”), David E. Smith, Barbara Smith and Grant Smith. The Company purchased Mr. Sticker from the Smiths on June 30, 2005 for $3,100,000. The Company asserted that the Smith’s interfered with the continuation of the acquired business and the renewal of certain leases held by the Smiths or by controlled entities of the Smiths related to the acquisition of Mr. Sticker by the Company. The Company further asserted breach of contract, fraud and fraudulent inducement and tortuous interference by the Smiths. During April 2013, the Company was advised by the Texas Court of Appeals that a key legal position of the Company was denied, thereby preventing the Company from proceeding with its arbitration claim. The Company had the option to appeal this ruling to the Texas Supreme Court, but the Company decided in June 2013 not to appeal the court’s decision and abandoned all claims under this lawsuit.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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 tables set forth, for the periods indicated, the high and low bids of our common stock. The following quotations reflect inter-dealer prices, without retail markup, mark-down or commission, and may not represent actual transactions.

	High	Low
Fiscal year ended December 31, 2013:		
First Quarter	$ 0.010	$ 0.010
Second Quarter	$ 0.012	$ 0.012
Third Quarter	$ 0.062	$ 0.057
Fourth Quarter	$ 0.034	$ 0.020
Fiscal year ended December 31, 2014:		
First Quarter	$ 0.009	$ 0.007

	High	Low
Second Quarter	$0.006	$0.006
Third Quarter	$0.003	$0.003
Fourth Quarter	$0.002	$0.002
Fiscal year ended December 31, 2015:		
First Quarter (Through April 10)	$0.004	$0.001

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 SEC 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, 2014 and April 17, 2015, there were 108,964,225 and 108,964,225 shares of our common stock outstanding, respectively, held by approximately 127 shareholders of record. As of December 31, 2014 and April 17, 2015, there were 5,133 shares of Series A Convertible Preferred Stock issued and outstanding and held of record by two shareholders.

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 terms of the Exchange Agreement entered into with GCA. GCA exchanged the $302,847 in cumulative dividends due and unpaid under 2,500 shares of Series A Convertible Preferred Stock through October 14, 2005 for additional shares of Series A Convertible Preferred Stock and warrants to purchase common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

We have adopted four 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 December 31, 2014, we have no issued and outstanding options under this plan. The Company does not anticipate granting any additional options under the 2001 Plan in the future.

At our 2005 annual meeting, the shareholders approved the 2005 Omnibus Stock Grant and Option Plan (the “2005 Plan”), effective September 1, 2005. The 2005 Plan authorizes us to 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 available for issuance in the 2005 Plan was automatically adjusted to an amount equal to 10% of outstanding shares of common stock on August 31 of the immediately preceding plan year. On August 26, 2008, we amended and restated the 2005 Plan (“2005 Restated Plan”) to terminate this annual automatic adjustment provision. As a result of the previous automatic adjustments, there are 303,498 options available for issuance under the 2005 Restated Plan as of December 31, 2014. As of December 31, 2014, there were 5,000 options issued and outstanding under the 2005 Restated Plan at an exercise price of $1.00 per share.

At our 2006 annual meeting, the shareholders approved and adopted the 2006 Stock Grant and Option Plan (the “2006 Plan”), effective September 18, 2006. We may issue options for up to 2,000,000 shares of our common stock under the 2006 Plan. As of December 31, 2014, we have 54,000 options issued and outstanding under the 2006 Plan at an exercise price of $0.57 per share.

At our 2008 annual meeting, the shareholders approved and adopted the 2008 Stock Grant and Option Plan (the “2008 Plan”), effective May 19, 2008. We may issue options for up to 5,000,000 shares of our common stock under the 2008 Plan. As of December 31, 2014 we have no issued and outstanding options under the 2008 Plan.

As of December 31, 2014, the aggregate information with respect to our equity compensation plans is as follows:

Plan Category	Number of Securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (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	59,000	$ 0.61	1,225,463
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	59,000	$ 0.61	1,225,463

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

All sales of unregistered securities for the past two years have been previously reported on either Form 10-Q, Form 10-K or Form 8-K filed with the Securities and Exchange Commission.

Item 6. Selected Financial Data

As a smaller reporting company, we are not required to provide the information required by this Item pursuant to 301(c) of Regulation S-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Disclaimer Regarding Forward Looking Statements

Our Management's Discussion and Analysis of Financial Condition and Results of Operations contains not only statements that are historical facts, but also statements that are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements are, by their very nature, uncertain and risky. The words "may," "would," "should," "will," "assume," "believe," "plan," "expect," "anticipate," "could," "estimate," "predict," "goals," "continue," "project," and similar expressions or the negative of these terr other comparable terminology are meant to identify such forward-looking statements. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the SEC, including those set forth under "Item 1A. Risk Factors," in this Annual Report on Form 10-K as well as subsequently filed Quarterly Reports on Form 10-Q.

Although the forward-looking statements in this Annual Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Current Financial Position and Liquidity

Our revenues during the years ended December 31, 2014 and 2013 and to date in 2015 have been insufficient to attain profitable operations and to provide adequate levels of cash flow from operations. We have experienced recurring net losses from operations, which have caused an accumulated deficit of $21,317,903 at December 31, 2014. We had a working capital deficit of approximately $1,042,000 at December 31, 2014 compared to a working capital deficit of approximately $2,060,000 at December 31, 2013. Our near-term liquidity and ability to remain in business is dependent on our ability to generate sufficient revenues from our store operations to provide sufficient cash flow from operations to pay our current level of operating expenses, to provide for inventory purchases and to reduce past due amounts owed to vendors and service providers. No assurances can be given that the Company will be able to achieve sufficient levels of revenues in the near-term to provide adequate levels of cash flow from operations. Should an increase in revenues not materialize, we will seek to further reduce operating costs to bring them in line with reduced revenue levels. Should we be unable to achieve near-term profitability and generate sufficient cash flow from operations, and if we are unable to sufficiently reduce operating costs, we would need to raise additional capital or increase our borrowings, or we would go out of business. We currently have very limited access to capital, including the public and private placement of equity securities and additional debt financing. No assurances can be given that additional capital or borrowings would be available to allow us to continue as a going concern. (See Note 1 to the Consolidated Financial Statements).

On June 8, 2012, the Company entered into a revolving line of credit agreement (the "Credit Agreement") with TCA Global Credit Master Fund, LP ("TCA"), pursuant to which TCA agreed to loan the Company up to a maximum of $2,000,000 for working capital purposes. In June 2012, the Company obtained a loan from TCA in the amount of $350,000 to use for working capital purposes and, in October 2012, the Company entered into the First Amendment to Credit Agreement with TCA (the "Amended Credit Agreement") pursuant to which the Company received an additional loan in the amount of $550,000 to use for the purchase of five emissions testing stores owned by Auto Emissions Express, LLC, a Georgia corporation ("AEE"). On October 23, 2013, the Company entered into the Second Amendment to Credit Agreement with TCA (the "Second Amended Credit Agreement"), pursuant to which TCA agreed to increase the revolving loan from $900,000 to $1,300,000 and, in connection therewith, the Company received an additional loan in the amount of $400,000 to finance the acquisition of the remaining seven emission testing centers owned by AEE and to provide working capital (see also Note 9 to the financial statements).

On June 30, 2014, due to insufficient cash flow, we ceased making required monthly principal payments on our line of credit facility with TCA and were in default under the terms of the Credit Agreement at that time. On August 6, 2014, we received notice of Demand for Payment of $791,207 before the close of business on Monday, August 19, 2014. According to the notice, the demand was a result of failure to make timely payments. Also, demand was made of Richard Parlontieri personally, as guarantor, pursuant to the Validity Guaranty, dated June 8, 2012 and affirmed and ratified on October 23, 2013 (the "Guaranty"). Under the terms of the Guaranty, Mr. Parlontieri agreed that the Company would maintain ownership of all collateral and would refrain from disposing or encumbering any collateral without TCA's express written consent. TCA alleged that Mr. Parlontieri had not complied with this agreement and was in default of the Guaranty. On December 8, 2014, using cash proceeds from the sale of five of our Utah stores, the Company paid all amounts due to TCA under the Credit Agreement, was released by TCA from any future claims related to previous alleged violations of the terms of the Credit Agreement and effectively terminated the Credit Agreement. Due to the Company's financial position, it has been unable to secure a replacement revolving credit agreement and must rely primarily on cash flow from operations to fund working capital needs.

On May 29, 2014, the Company entered into a promissory note agreement with Thomas Chorba, pursuant to which Thomas Chorba loaned the Company $50,000 for working capital purposes. Under the terms of the promissory note, the Company agreed to repay the loan, plus interest, for a total amount of $56,000 by December 31, 2015. Under the terms of the note, the Company will make 18 monthly payments of $3,111 each which yields an effective annual interest rate of 7.9%.

On May 30, 2014, the Company entered into a repayment agreement (the "Repayment Agreement") with TVT Capital, LLC ("TVT"), pursuant to which the Company agreed to repay TVT $75,000 from a loan made by TVT to the Company, plus a fixed fee which the Company will record as interest expense, for a total amount of $112,425 by October 27, 2014. Under the terms of the Repayment Agreement, TVT is authorized to make daily bank debits of $1,099 on each available banking day during the term of the Repayment Agreement which represents a fee rate of 49.9%. On September 16, 2014, the Company re-negotiated its Repayment Agreement with TVT to obtain additional funding totaling $67,077. Under the terms of the amended Repayment Agreement, the Company agreed to repay the remaining balance from the June 3, 2014 funding, plus the current funding, for a total of $100,000, plus a fixed fee which the Company will record as interest expense, representing a total amount of $149,000 by April 16, 2015. Under the terms of the amended Repayment Agreement, TVT is authorized to make daily bank debits of $1,199 on each available banking day during the term of the Repayment Agreement which represents a fee rate of 49.0%.

On October 24, 2014, the Company entered into a merchant sales agreement (the "Merchant Agreement") with Entrepreneur Now, LLC ("EN"), pursuant to which the Company agreed to repay EN $50,000 from a loan made by EN to the Company, plus a fixed fee which the Company will record as interest expense, for a total amount of $72,000 by March 2, 2015. Under the terms of the Merchant Agreement, EN is authorized to make daily bank debits of $1,000 on each available banking day during the term of the Merchant Agreement which represents a fee rate of 44.0%.

On November 5, 2014, the Company entered into a promissory note agreement with Dianna Parlontieri, wife of the Company's President, Chief Executive Officer and Chief Financial Officer, pursuant to which Mrs. Parlontieri loaned the Company $20,000 for working capital purposes. Under the terms of the promissory note, the Company agreed to repay the loan, plus interest, for a total amount of $20,400 by December 15, 2014. Because the Company did not repay the loan in full by December 15, 2014, the Company is required to repay $1,700 on the 15th of each month, starting December 15, 2014, until the loan is re-paid in full. If any of the monthly payments are not paid on the respective due date then the monthly payment amount is subject to a default interest rate of 10% per annum. The Company is currently in default of the terms of this promissory note as it did not make the required repayment on December 15, 2014 and has not made any of the required monthly payments as of the date of this report.

On November 18, 2014, the Company entered into a revenue based factoring agreement (the "Factoring Agreement") with Samson Partners, LLC ("SP"), pursuant to which the Company agreed to repay SP $35,000 from a loan made by SP to the Company, plus a fixed fee which the Company will record as interest expense, for a total repayment amount of $43,750 by February 9, 2015. Under the terms of the Factoring Agreement, SP is authorized to make daily bank debits of $875 on each available banking day during the term of the Factoring Agreement which represents a fee rate of 25.0%.

Overview

As of December 31, 2014 we operated 23 vehicle emissions testing and safety inspection stations and three mobile units in three separate markets, Atlanta, Georgia; St. Louis, Missouri; and Salt Lake City, Utah.

We perform vehicle emissions testing and safety inspections in certain cities in which vehicle emissions testing is mandated by the EPA. We use computerized emissions testing and safety inspections equipment that test vehicles for compliance with vehicle emissions and safety standards as determined by each state. Our revenues are generated from the test or inspection fee charged to the registered owner of the vehicle. We do not provide automotive repair services.

We charge a fee for each test, whether the vehicle passes or not, and a portion of that fee is remitted to the state governing agency.

Results of Operations

Year ended December 31, 2014 compared to the year ended December 31, 2013

Our revenue, cost of emission certificates (our cost of goods sold), store operating expenses, general and administrative expenses, gain from disposal of non-strategic assets and operating loss for the year ended December 31, 2014 as compared to the comparable year ended December 31, 2013 were as follows:

	Year Ended December 31, 2014	2013	Percentage Change
Revenue	$ 5,578,693	$ 7,095,937	(21.4)%
Cost of emission certificates	1,041,149	1,493,183	(30.3)%
Store operating expenses	4,034,821	5,084,345	(20.6)%
General and administrative expenses	1,024,874	1,082,865	(5.4)%
Gain from disposal of non-strategic assets	(789,166)	(83,846)	841.2 %
Goodwill impairment expense	723,073	107,739	571.1 %
Operating loss	$ (456,058)	$ (588,349)	(22.5)%

Revenue. For the year ended December 31, 2014, revenue decreased $1,517,244 or 21.4% to $5,578,693 compared to $7,095,937 in the prior year. The decrease in revenue was primarily due to the sale of 11 stores during 2014 and the closing of another 10 stores during 2014. The combined sale and closing of these 21 stores resulted in a decrease of $2,066,934 in revenue from 2013 to 2014. Partially offsetting this revenue decrease was a revenue increase of $471,741 due to the purchase of seven new stores during December 2013 and an increase of $77,949 or 2.9% in revenues from same store operations during 2014.

Cost of emission certificates. Cost of emission certificates decreased $452,034 or 30.3% to $1,041,149 in the year ended December 31, 2014 and was 18.7% of revenue, compared to $1,493,183 and 21.0% of revenue during 2013. The aggregate decrease in the cost of emission certificates over the comparable period was due primarily to the previously described sale and closing of 21 stores during 2014. The decrease in cost of emission certificates as a percent of revenues from 21.0% during 2014 to 18.7% during 2013 is due to the effect of selling all remaining Texas stores during 2014 where cost of emission certificates is approximately 35% of revenues while cost of emission certificates for the Georgia stores is approximately 21% of revenues.

Store operating expenses. Our store operating expenses decreased $1,049,524 or 20.6% to $4,034,821 for the year ended December 31, 2014 and was 72.3% of revenue, compared to $5,084,345 or 71.7% of revenue during 2013. The decrease in store operating expenses was primarily due to the sale of 11 stores during 2014 and the closing of another

10 stores during 2014. The combined sale and closing of these 21 stores resulted in a decrease of $1,447,343 in store operating expenses from 2013 to 2014. Partially offsetting this store operating expense decrease was a store operating expense increase of $347,742 due to the purchase of seven new stores during December 2013 and an increase of $50,078 or 2.6% in store operating expenses from same store operations during 2014. The primary cause of the $50,078 increase in same store operating expenses was due to $44,481 in wage increases.

General and administrative expenses. For the year ended December 31, 2014, our general and administrative expenses decreased $57,991 or 5.4% to $1,024,874 from $1,082,865 in 2013. The decrease in general and administrative expenses was primarily due to write-off of accrued expenses on closed stores, reduced wage expense and reduced finance charges in the amounts of $94,849, $48,609 and $20,433, respectively. These expense decreases were partially offset by increases in legal and accounting expenses and bank charges of $84,893 and $24,587, respectively.

Gain from disposal of non-strategic assets. For the year ended December 31, 2014, we recognized a gain of $789,166 from the disposal of non-strategic assets, compared to a gain of $83,846 from the disposal of non-strategic assets in the year ended December 31, 2013. The significant increase in the gain from 2013 to 2014 was primarily due to the sale of assets associated with 11 stores during 2014, while during 2013 we sold the assets comprising three stores. Additionally, the five stores we sold in Utah during 2014 were highly profitable and consequently sold for a significantly higher price.

Goodwill impairment expense. We determined that goodwill recorded from the acquisition of the following business was impaired as of December 31, 2014.

2014 Goodwill Impairment:

Five stores acquired from	Acquisition Date		Goodwill Impairment Expense
Just, Inc.	September 8, 2005	$	365,378
Auto Emissions Express, LLC.	November 30, 2012		61,091
Auto Emissions Express, LLC.	October 25, 2013		296,604
Total		$	723,073

The estimated fair value of goodwill was determined using discounted cash flow models. Due to an overall decline in the financial performance and anticipated future performance the Just, Inc and Auto Emissions Express, LLC stores, it is estimated that future cash flows from these stores would not be sufficient to cover the carrying value of their goodwill. The amount of goodwill impaired in 2014 was $723,073 and is recorded in the accompanying consolidated statements of operations for the year ended December 31, 2014.

Operating loss. Our operating loss decreased by $132,291 or 22.5% in the year ended December 31, 2014 and was $456,058 compared to an operating loss of $588,349 in the year ended December 31, 2013. The primary cause of this decrease was a decline in operating expenses that exceeded the decline in revenues by $42,306 plus a net gain of $89,985 resulting from the net change in gain from sale of non-strategic assets less goodwill impairment expense.

Interest income, interest expense and net loss and basic and diluted loss per share. Our interest income, interest expense, net loss and basic and diluted loss per share for the year ended December 31, 2014, as compared to the year ended December 31, 2013, were as follows:

		2014		2013
Operating loss	$	(456,058)	$	(588,349)
Interest income		4,115		5,020
Interest expense		(321,237)		(231,153)
Net loss	$	(773,180)	$	(814,482)
Basic and diluted net loss per share	$	(0.01)	$	(0.02)
Weighted average shares outstanding, basic and diluted		85,845,293		35,623,871

The increase of $90,084 in interest expense during 2014, compared to 2013, was primarily the result increased interest costs related to short term borrowings (see also note 9 to financial statements).

Net loss and basic and diluted net loss per share. Our net loss decreased by $41,302 from $814,482 in 2013 to $773,180 in 2014. Our basic and diluted net loss per share in the years ended December 31, 2013 and 2014 was $0.02 and $0.01, respectively.

Liquidity and Capital Resources

Introduction

Net loss for the year ended December 31, 2014 was $773,180 or ($0.01) per share, compared to a net loss of $814,482 or ($0.02) per share for the year ended December 31, 2013. Revenues for the year ended December 31, 2014 decreased $1,517,244, or 21.4%, to $5,578,693 from $7,095,937 in the year ended December 31, 2013. As of December 31, 2014, we had cash on hand of $21,729, a working capital deficit of $1,041,752, an accumulated deficit of $21,317,903 and total shareholders' deficit of $5,047,083.

Effective October 25, 2013, the Company purchased, for $150,000 in cash and a $200,000 note payable, certain assets of AEE. The assets purchased consisted of the operating assets of seven emissions testing stations, which the Company intends to continue to operate under the Auto Emissions Express name. The Company incurred $6,020 in legal costs related to the acquisition of the seven AEE stores. These legal costs are included in the general and administrative expenses of the Company as reported in its consolidated statements of operations for the year ended December 31, 2013. The Company made the acquisition to increase its market share in the Atlanta, Georgia, area and to reduce average overhead costs per station by acquiring locations, which could be controlled by a local management team, using existing resources. These circumstances were the primary contributing factors for the recognition of goodwill as a result of this acquisition. Goodwill, in the amount of $296,604 was determined using the residual method based on an appraisal of the assets acquired and commitments assumed in the transaction. The purchase price was paid in cash using funds available under our existing credit agreement with TCA.

On June 30, 2014, due to insufficient cash flow, we ceased making required monthly principal payments on our line of credit facility with TCA and were in default under the terms of the Credit Agreement at that time. On August 6, 2014, we received notice of Demand for Payment of $791,207 before the close of business on Monday, August 19, 2014. According to the notice, the demand was a result of failure to make timely payments. Also, demand was made of Richard Parlontieri personally, as guarantor, pursuant to the Validity Guaranty, dated June 8, 2012 and affirmed and ratified on October 23, 2013 (the “Guaranty”). Under the terms of the Guaranty, Mr. Parlontieri agreed that the Company would maintain ownership of all collateral and would refrain from disposing or encumbering any collateral without TCA’s express written consent. TCA alleged that Mr. Parlontieri had not complied with this agreement and was in default of the Guaranty. On December 8, 2014, using cash proceeds from the sale of five of our six Utah stores, the Company paid all amounts due to TCA under the Credit Agreement, was released by TCA from any future claims related to previous alleged violations of the terms of the Credit Agreement and effectively terminated the Credit Agreement.

Due to the Company’s financial position, it has been unable to secure a replacement revolving credit agreement and must rely primarily on cash flow from operations to fund working capital needs. At April 17, 2015, our cash balances were approximately $7,000. We do not believe that our existing cash and cash flows from operations will be sufficient to support our operating and investing needs for at least the next twelve months. Our near term liquidity and ability to continue as a going concern is dependent on our ability to generate sufficient revenues from our store operations to provide sufficient cash flow from operations to pay our current level of operating expenses, to provide for inventory purchases and to reduce past due amounts owed to vendors and service providers. No assurances may be given that the Company will be able to achieve sufficient levels of revenues in the near term to provide adequate levels of cash flow from operations. If the Company is unable to achieve near term profitability and generate sufficient cash flow from operations, we would need to raise additional capital or obtain new financing. We currently have very limited access to capital, including the public and private placement of equity securities and additional debt financing. There is no assurance that such capital or financing would be available or, if available, that we would be able to complete a capital raise or financing on satisfactory terms.

During 2014, we sold the assets comprising six of our Houston, Texas stores for a combined amount of $220,000, consisting of $152,500 in cash and a note receivable for $67,500. The principal amount of the note is payable in equal monthly payments over a 12-month period with no interest.

On December 5, 2014, we sold the assets comprising five of our Salt Lake City, Utah stores for $1,350,000 in cash. After taking into consideration the sale of these five emissions testing centers and the closing of another store in January 2015, we now operate, as of April 17, 2015, 22 emission testing centers in Atlanta, Georgia, St. Louis, Missouri and Salt Lake City, Utah metropolitan areas, plus three mobile testing units in the Atlanta, Georgia area.

Our cash, current assets, total assets, current liabilities, total liabilities, Series A convertible preferred stock and total shareholders' equity as of December 31, 2014 as compared to December 31, 2013 were as follows:

	As of December 31, 2014	As of December 31, 2013	Change
Cash	$ 21,729	$ 65,854	$ (44,125)
Total current assets	158,436	367,287	(208,851)
Total assets	828,446	2,748,270	(1,919,824)
Total current liabilities	1,200,188	2,427,208	(1,227,020)
Total liabilities	1,296,183	2,616,625	(1,320,442)
Series A convertible preferred stock	4,579,346	4,579,346	—
Total shareholders' (deficit) equity	(5,047,083)	(4,447,701)	(599,382)

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For the year ended December 31, 2014, our net cash used in operating activities was $878,249, as compared to net cash used in operating activities of $90,033 for the year ended December 31, 2013. Negative operating cash flows during 2014 were primarily created by a net loss of $773,180, a gain on the disposal of assets of $789,166 and a decrease in accounts payable and accrued liabilities of $415,849. Offsetting the negative operating cash flows was a goodwill impairment expense of $723,073 plus depreciation and amortization of $256,534. Depreciation and amortization includes $99,958 representing amortization of loan origination costs associated with the TCA line of credit.

Negative operating cash flows during 2013 were primarily created by a net loss of $814,482, a gain on the disposal of assets of $83,846, an increase of $19,478 in other current assets and a decrease in other liabilities of $11,401. Offsetting the negative operating cash flows was an increase of $377,711 in accounts payable and accrued liabilities plus depreciation and amortization of $281,248 and goodwill impairment expense of $107,739. Depreciation and amortization includes $99,856 representing amortization of loan origination costs associated with the TCA line of credit.

Inflation has not had an abnormal or unanticipated effect on our operations. Our cost of emission certificates does not fluctuate from year to year as the fee we pay to the state or local government agency remains constant over the state's contract period with the administrator, which is usually five to seven years.

As of December 31, 2014, we had a shareholders' deficit of $5,047,083 compared to shareholders' deficit of $4,447,701 at December 31, 2013. The shareholders' deficit mainly resulted from our history of net operating losses.

Sources and Uses of Cash

Net cash provided by investing activities was $1,572,030 for the year ended December 31, 2014. Net cash used in investing activities was $52,194 for the year ended December 31, 2013. The large increase in proceeds from investing activities was $1,508,388 in proceeds from asset sales.

Our primary source of investment capital during 2014 was $1,350,000 received in the sale of five of our Utah stores and $152,500 received for the sale of six Texas stores.

Our capital investments made during 2013 primarily involved $150,000 used in the acquisition of seven AEE stores and $35,284 used to purchase equipment for existing stores reduced by proceeds from the disposal of non-strategic assets in the amount of $81,090 and proceeds from a note receivable of $52,000.

Net cash used in financing activities was $737,906 for the year ended December 31, 2014, compared to net cash provided by financing activities of $153,960 for the year ended December 31, 2013. Net cash used in financing activities during 2014 included proceeds of $949,226 from the line of credit, payments of $1,888,471 on the line of credit, $166,122 in payments on short term notes payable and $100,000 used to repurchase 2,074,689 shares of our common stock. These payments were offset by $297,077 in proceeds from notes payable and $213,848 in stock issued for debt. Net cash provided by financing activities during 2013 was used for payments on capitalized leases of $28,043, payments to obtain financing of $19,950 and payments on equipment financing obligations in the amount of $8,893. These payments were offset by $195,646 in net proceeds received from our line of credit.

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. In consultation with its Board of Directors, the Company has identified the following critical accounting policies that require management's most difficult, subjective judgments:

Impairment of Long-Lived Assets and Goodwill – The Company reviews long-lived assets such as property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the assets, an impairment loss is recognized for the excess of the carrying value over the fair value of the long-lived assets.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. We utilize a discounted cash flow analysis to determine a reporting unit's fair value. The methodology used in estimating discounted cash flows is inherently complex and involves significant management assumptions, including expected revenue growth and increases in expenses, to determine an appropriate discount rate and cash flows. Using discount rates for each reporting unit that were determined based on available market data and estimating cash flows for each reporting unit, our goodwill was impaired during 2014 or as of December 31, 2014. Estimated cash flows extend into the future and, by their nature, are difficult to determine over an extended timeframe. Factors that have and may significantly affect the estimates, and ultimately their carrying amount in our financials, include, among others, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures and technology, government regulation and changes in discount rates or market sector conditions. Significant changes in these assumptions could affect the Company's need to record an impairment charge.

Deferred Tax Asset Valuation Allowance – Deferred tax assets are recognized for deductible temporary differences, net operating loss carry-forwards and tax credit carry-forwards, if it is more likely than not that the tax benefits will be realized. Realization of our deferred tax assets is dependent upon generating sufficient future taxable income prior to the expiration of the loss and tax credit carry-forwards. The valuation allowance increased $141,000 in the year ended December 31, 2014. At December 31, 2014 and at December 31, 2013, net deferred tax assets of $6,770,000 and $6,629,000, respectively, were fully reserved by a valuation allowance.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item, pursuant to 305(e) of Regulation S-K.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Speedemissions, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Speedemissions, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Porter Keadle Moore, LLC
Atlanta, Georgia
April 22, 2015

Speedemissions, Inc. and Subsidiaries
Consolidated Balance Sheets
as of December 31,

	2014	2013
Assets		