

SmartPros Ltd.
Form DEF 14A
May 29, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14a INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

SMARTPROS LTD.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

SMARTPROS LTD.

Notice of Annual Meeting of Stockholders
To Be Held on Thursday, July 24, 2014 at 10:00 A.M.

TO THE STOCKHOLDERS OF SMARTPROS LTD.:

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting of Stockholders of SmartPros Ltd. ("SmartPros") will be held at SmartPros' headquarters at 12 Skyline Drive, Hawthorne, NY 10532, on Thursday, July 24, 2014 at 10:00 A.M. Eastern Time for the following purposes:

1. To elect two (2) Class I directors to serve until the annual meeting of stockholders in 2017 and until their respective successors have been elected and qualified.
2. To obtain advisory approval of the appointment of Baker Tilly Virchow Krause, LLP (formerly, Holtz Rubenstein Reminick LLP) as independent auditors for SmartPros for the year ending December 31, 2014.
3. To transact such other business as may properly be brought before the meeting or any adjournment or postponements thereof.

The Board of Directors has fixed the close of business on May 27, 2014, as the record date for the determination of the stockholders entitled to notice of and to vote at this meeting and at any adjournment or postponements thereof.

BY ORDER OF THE BOARD OF DIRECTORS

Karen S. Stolzar, Secretary

Dated: Hawthorne, New York
June 6, 2014

IMPORTANT: Whether or not you expect to attend in person, please complete, sign, date and return the enclosed Proxy at your earliest convenience. This will ensure the presence of a quorum at the meeting. Promptly signing, dating and returning the Proxy will save SmartPros the expense and extra work of additional solicitation. An addressed envelope for which no postage is required has been enclosed for that purpose. Sending in your Proxy will not prevent you from voting your stock at the meeting if you desire to do so, as your Proxy is revocable at your option. If your stock is held through a broker, bank or a nominee and you wish to vote at the meeting you will need to obtain a proxy form from your broker, bank or a nominee and present it at the meeting.

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Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting to Be Held on Thursday, July 24, 2014:

The Proxy Materials for the Annual Meeting, including the Annual Report and the Proxy Statement are available at <http://ir.smartpros.com>.

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SMARTPROS LTD.

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held on Thursday, July 24, 2014

We are furnishing this Proxy Statement to our stockholders in connection with the solicitation by our Board of Directors (the “Board”) of proxies (the “Proxy” or “Proxies”) to be used at our 2014 Annual Meeting of Stockholders to be held at SmartPros’ headquarters at 12 Skyline Drive, Hawthorne, NY 10532, on Thursday, July 24, 2014 at 10:00 A.M. Eastern Time, and at any adjournments thereof (the “Annual Meeting”). The approximate date on which this Proxy Statement and the accompanying Proxy will be mailed to stockholders is June 6, 2014.

THE VOTING & VOTE REQUIRED

Record Date and Quorum

Only stockholders of record at the close of business on May 27, 2014 (the “Record Date”), are entitled to notice of and vote at the Annual Meeting. On the Record Date, there were 4,684,441 outstanding shares of our common stock, par value \$.0001 per share, (“Common Shares”). Each Common Share is entitled to one vote. Common Shares represented by each properly executed, unrevoked Proxy received in time for the meeting will be voted as specified. Common Shares were our only voting securities outstanding on the Record Date. A quorum will be present at the Annual Meeting if stockholders owning a majority of the Common Shares outstanding on the Record Date are present at the meeting in person or by proxy.

Voting of Proxies

The persons acting as proxies (the “Proxyholders”) pursuant to the enclosed Proxy will vote the shares represented as directed in the signed Proxy. Unless otherwise directed in the Proxy, the Proxyholders will vote the shares represented by the Proxy: (i) for the election of the Class I director nominees named in this Proxy Statement; (ii) for the advisory appointment of the independent auditors for the year ending December 31, 2014; and (v) in their discretion, on any other business that may properly come before the Annual Meeting and any adjournments of the Annual Meeting.

All votes will be tabulated by the inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Under our bylaws and Delaware law: (1) shares represented by Proxies that reflect abstentions or “broker non-votes” (i.e., shares held by a broker or nominee that are represented at the Annual Meeting but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum; (2) there is no cumulative voting, and the director nominees receiving the highest number of votes, up to the number of directors to be elected, are elected and, accordingly, abstentions, broker non-votes and withholding of authority to vote will not affect the election of directors; and (3) Proxies that reflect abstentions or broker non-votes will be treated as unvoted for purposes of determining approval of that proposal and will not be counted as votes for or against that proposal.

Voting Requirements

Election of Directors. The election of the Class I director nominees will require a plurality of the votes cast on that matter at the Annual Meeting. With respect to the election of directors, votes may be cast in favor of or withheld with respect to each nominee. Votes that are withheld will be excluded entirely from the vote and will have no effect on the outcome of the vote. An abstention will be excluded entirely from the vote and will have no effect on the outcome of the vote.

Advisory Approval of the Appointment of Independent Auditors. The affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote at the Annual Meeting is required to approve the appointment, on advisory basis, of our independent auditors for the fiscal year ending December 31, 2014. An abstention from voting on advisory approval of auditors will be treated as “present” for quorum purposes. However, since an abstention is not treated as a “vote” for or against the matter, it will have no effect on the outcome of the vote on the matter.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

The Board currently consists of five members and is divided into three classes, with two Class I directors, one Class II director and two Class III directors. One class of directors is elected by our stockholders at each annual meeting of stockholders. Directors serve until the third annual meeting of stockholders following their election and until their respective successors have been elected and qualified.

At the Annual Meeting, each of the two Class I directors will be elected to serve until the annual meeting of stockholders in 2017 and until his successor is elected and qualified. The Board has nominated Martin H. Lager and John J. Gorman for election as Class I directors. Messrs. Lager and Gorman are currently Class I directors. The accompanying form of Proxy will be voted for their re-election as Class I directors, unless the Proxy contains contrary instructions. We have no reason to believe that either of Messrs. Lager and Gorman will not be a candidate or will be unable to serve. However, in the event that either or both are unable or unwilling to serve as a director, the Proxy will be voted for the election of such person or persons as shall be designated by the Board.

The Board Unanimously Recommends a Vote FOR the Election of Martin H. Lager and John J. Gorman as Class I Directors and Proxies that are Signed and Returned Will Be So Voted Unless Otherwise Instructed.

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MANAGEMENT INFORMATION

Set forth below is a brief biography of the nominees for election as Class I directors and all other members of the Board who will continue in office.

Nominees for Election as a Class I Director Term Expiring 2017

Martin H. Lager, age 62. Mr. Lager has been serving as the chairman of our Audit Committee since his appointment to the Board in October 2004. Since January 1, 2004, Mr. Lager has been operating his own accounting practice, Martin H. Lager, CPA. From January 1, 1996 through December 31, 2003 Mr. Lager was a partner in the accounting firm of Rubin & Katz LLP where he was the manager of the tax department. Mr. Lager received a BS in Accounting

from Babson College in 1974, and an MBA in Taxation in 1980 from St. John's University. He is a licensed certified public accountant in the State of New York.

John J. Gorman, age 59. Mr. Gorman was appointed to the Board in January 2006 and has been serving as the chairman of our Compensation and Nominating Committee since November 2007. Mr. Gorman has been a partner at Luse, Gorman, Pomerenk & Schick, P.C., a Washington, DC law firm, since 1994. He specializes in providing both transactional and general corporate and securities law advice to public and private companies. Mr. Gorman is a faculty member of the National Association of Corporate Directors (NACD), and served as a Commissioner on the 2004 NACD Blue Ribbon Commission on Board Leadership. Mr. Gorman earned a BS degree from Brown University in 1976, and a JD from Vanderbilt University School of Law in 1979.

Incumbent Class II Directors
Term Expiring 2015

Jack Fingerhut, age 63. Mr. Fingerhut is one of our founders and has been a director since 1981. He has served as our president since March 1, 2006. From April 2004 until March 2006 he was senior executive vice president and from April 2004 through October 18, 2004, he also served as our treasurer. From 1998 through April 2004 he was president of the accounting division and from July 2002 through October 19, 2004, he was also our chief financial officer. He served as both our chief operating officer and chief financial officer from 1981 through 1998. In 1973, Mr. Fingerhut received a BA degree in History from the University of Maryland, and in 1974 he earned his MBA in Accounting from Rutgers University. He is a certified public accountant in New Jersey. Mr. Fingerhut is a member of the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants.

Incumbent Class III Directors
Term Expiring 2016

Allen S. Greene, age 67. Mr. Greene has been the chairman of the Board since January 1, 2006 and our chief executive officer since April 2001. From April 2001 to December 31, 2006, he served as vice chairman of the Board. He is also chairman and chief executive officer of our SmartPros Legal and Ethics, Ltd. (formerly known as Working Values, Ltd.), Skye Multimedia, Ltd. and Loscalzo Associates, Ltd. subsidiaries, and chairman of iReflect, LLC., a joint venture of our Skye Multimedia subsidiary (“iReflect”) which provides an inter-active, web-based tool used for the development of marketing and presentation skills. From August 1997 until December 1999 he was the senior executive vice president, chief operating officer, and chief lending officer of Medallion Financial Corporation, a Nasdaq-listed financial holding company lending to small business. Mr. Greene holds a BBA from The Baruch School of the City University of New York in Finance and Investments, and an MBA from Baruch College of the City University of New York.

Leonard J. Stanley, age 59. Mr. Stanley was appointed to the Board in August 2007. He currently provides consulting services in the financial services industry. From February 2007 to May 2008, he was a consultant to Stifel, Nicolaus & Company, Incorporated, a regional broker-dealer. From November 1994 through February 2007, Mr. Stanley was employed by Ryan Beck & Co., a middle market investment bank, where he was executive vice president – director of administration. His prior positions at Ryan Beck included chief administrative officer, chief financial officer and controller. Since May 1998, he has served as a member of the board of directors of Cenlar Capital Corporation and Cenlar Federal Savings Bank. Mr. Stanley received a BS in Accounting in 1976 from the State University of New York, Fredonia. He is a certified public accountant in the State of New Jersey.

All directors attended at least 75% of the aggregate number of Board meetings and of all committees of the Board on which that director served during the last full fiscal year.

EXECUTIVE OFFICERS

The following table sets forth the names, ages and principal positions of our executive officers as of the Record Date:

Name	Age	Position
Executive Officers		
Allen S. Greene	67	Chief Executive Officer, Chairman of the Board and, Class III Director, Chairman and Chief Executive Officer of SmartPros Legal and Ethics, Ltd., Skye Multimedia Ltd. and Loscalzo Associates, Ltd., and Chairman of iReflect, LLC
Jack Fingerhut	63	President and Class II Director
Stanley P. Wirtheim	64	Chief Accounting and Financial Officer, Treasurer and Chief Financial Officer of iReflect, LLC
Joseph R. Fish	48	Chief Technology Officer
Karen S. Stolzar	65	Vice-President and Secretary
Significant Employees		
Seth Oberman	49	President of Skye Multimedia, Inc. and iReflect, LLC
Stacey Painter (1)	48	President of Loscalzo Associates, Ltd.
Michael Fowler	50	Executive Vice President of Business Development

(1) Effective as of January 2, 2014, Ms. Painter replaced Mr. John Fleming as President of Loscalzo Associates, Ltd.

The principal occupation and business experience for at least the last five years for each executive officer is set forth below (except for Messrs. Greene and Fingerhut, each of whose business experience is discussed above).

Executive Officers

Stanley P. Wirtheim. Mr. Wirtheim has been our chief accounting and financial officer and treasurer since October 19, 2004. In 2008, he was also appointed the chief financial officer of iReflect. Mr. Wirtheim is a certified public accountant in New York State. He works for us four full days per week so that he can maintain his independent accounting practice, Stanley P. Wirtheim, CPA, which he founded in 1997. Prior to his becoming our chief accounting and financial officer and since 1981, he has performed accounting services for us. Mr. Wirtheim received a BBA in accounting from Baruch College of the City University of New York in 1972.

Joseph R. Fish. Mr. Fish has been our chief technology officer since January 1, 2000. He joined us in November 1998 and, through December 31, 1999, served as our vice president of new media. Mr. Fish attended Embry-Riddle Aeronautical University in Katterbach, Germany.

Karen S. Stolzar. Ms. Stolzar has been a vice president of our accounting division since joining us in March 1990. She was appointed Secretary in March 2006. She oversees course compliancy and continuing education for our accounting division. Ms. Stolzar received a BA degree from Barnard College, Columbia University in 1971.

Significant Employees

Seth Oberman. Mr. Oberman is the co-founder and president of our Skye Multimedia, Inc. subsidiary, which we purchased in February 2006. He founded Skye in April 1995 and began working for us as of March 1, 2006. In 2008, he was also appointed the president of iReflect. Mr. Oberman received a BS in Business from Lehigh University in 1985.

Stacey Painter. Ms. Painter has been the president of our Loscalzo Associates, Ltd. subsidiary since January 2, 2014. She joined Loscalzo Associates, Ltd. in January 2013 as its executive vice-president. Prior to joining Loscalzo Associates, Ltd., from 1999 to October 2012, she held various positions at Resources Global, Inc., the last being global managing director of accounting and finance services. Ms. Painter received a bachelor of business administration degree in 1990 from Pace University and is a Certified Public Accountant.

Michael Fowler. Mr. Fowler has been our senior vice president of business development since September 2007. From November 2003 to September 2007, he was the senior director of business development for Thomson NETg, a provider of e-learning solutions for global enterprises, government, education and small- to medium-size businesses. From January 2001 to November 2003, he worked for Kaplan Financial, a provider of education and compliance solutions for the insurance and financial services industries, where he held the positions of vice president of strategy, from January 2001 to January 2003, and vice president of business partnerships, from January 2003 to November 2003. Mr. Fowler received a BBA in Marketing from the Grand Valley State University of Michigan in 1985.

Audit Committee Financial Expert

The Board has determined that the Chairman of the Audit Committee, Mr. Lager, is an “audit committee financial expert,” as that term is defined in Item 407(d)(5) of Regulation S-K, and “independent” for purposes of the listing standards of the NASDAQ Capital Market (“NASDAQ”), and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Committees of the Board of Directors

The Board established an Audit Committee and a Compensation and Nominating Committee. The members of both committees are independent for purposes of the NASDAQ listing standards.

The Chairman of our Audit Committee is Mr. Lager and the other members of the committee are Messrs. Stanley and Gorman. All of the members qualify as “independent” in accordance with the applicable rules under the U.S. Securities and Exchange Commission (“SEC”) and NASDAQ. The Audit Committee meets with management and our independent public accountants to determine the adequacy of internal controls and other financial reporting matters and review related party transactions for potential conflict-of-interest situations. A copy of the Audit Committee charter is available on our Web site at www.smartpros.com. The Audit Committee met four times in 2013.

In determining director independence, the Board considered the compensation paid to Messrs. Lager, Stanley and Gorman for the year ended December 31, 2013, disclosed in “Director Compensation” below, and determined that such compensation was for services rendered to the Board and therefore did not impact their ability to continue to serve as

independent directors.

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Audit Committee Report

The Audit Committee was established to meet with SmartPros' management and its independent accountants, Baker Tilly Virchow Krause, LLP (formerly, Holtz Rubenstein Reminick LLP) ("Baker Tilly"), to determine the adequacy of internal controls and other financial reporting matters. The Board has adopted a written charter for the Audit Committee. The Audit Committee reviewed SmartPros' audited financial statements for the year ended December 31, 2013, and met with its management to discuss such audited financial statements. The Audit Committee has discussed with Baker Tilly the matters required to be discussed pursuant to Public Company Accountant Oversight Board Auditing Standard No. 16. The Audit Committee has received the written disclosures and the letter from Baker Tilly required by the Public Company Accountant Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence and has discussed with Baker Tilly its independence from SmartPros and its management. Baker Tilly had full and free access to the Audit Committee. Based on its review and discussions, the Audit Committee recommended to the Board that the audited financial statements of SmartPros for the year ended December 31, 2013 be included in its Annual Report on Form 10-K, as amended, for the year ended December 31, 2013 for filing with the SEC.

AUDIT COMMITTEE:

Martin H. Lager, Chairman
Leonard J. Stanley
John J. Gorman

The Chairman of the Compensation and Nominating Committee is Mr. Gorman and the other members of the committee are Messrs. Stanley and Lager. The committee reviews and recommends the compensation and benefits payable to our officers, reviews general policy matters relating to employee compensation and benefits, and administers our various stock option plans and other incentive compensation arrangements. The committee also identifies individuals qualified to become members of the Board and makes recommendations to the Board of new nominees to be elected by stockholders or to be appointed to fill vacancies on the Board. The Compensation and Nominating Committee met once in 2013. A copy of the Compensation and Nominating Committee charter is available on our Web site at www.smartpros.com.

The Compensation and Nominating Committee will consider director candidates recommended by stockholders. In considering candidates submitted by stockholders, the committee will take into consideration the needs of the Board and the qualifications of the candidate. Under our bylaws, to have a candidate considered by the committee, a stockholder must notify our Secretary, Karen Stolarz, by written notice delivered to, or mailed to and received at, our principal executive offices not less than thirty (30) days and not more than sixty (60) days prior to the scheduled annual meeting date, regardless of any postponements, deferrals or adjournments of that meeting to a later date; PROVIDED, HOWEVER, that if less than forty (40) days' notice or prior public disclosure of the date of the scheduled annual meeting is given or made, notice by the stockholder, to be timely, must be so delivered or received not later than the close of business on the tenth (10th) day following the earlier of the day on which such notice of the date of the scheduled annual meeting was mailed or the day on which such public disclosure was made. A stockholder's notice to the Secretary shall set forth the following information: (i) as to each person whom the stockholder proposes to nominate for election to the Board, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to the Exchange Act, including, without limitation, such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (ii) the name and address of the stockholder making the nomination and any other stockholders known by such stockholder to be supporting such nomination; (iii)

the class and number of shares of stock owned by the stockholder on the date of such stockholder's notice and by any other stockholders known by such stockholder to be supporting such nomination on the date of such stockholder's notice; and (iv) any financial interest of the stockholder in such nomination.

Board Leadership Structure

Mr. Greene has served as chairman of the Board since January 2006 and chief executive officer since April 2001. Our By-Laws give the Board the flexibility to determine whether the roles of chairman and chief executive officer should be held by the same person or by two separate individuals. Each year, the Board evaluates our leadership structure and determines the most appropriate structure for the coming year based upon its assessment of our position, strategy, and our long term plans. The Board also considers the specific circumstances we face and the characteristics and membership of the Board. At this time, the Board has determined that having Mr. Greene serve as both the chairman and chief executive officer is in the best interest of our stockholders. We believe this structure makes the best use of the chief executive officer's extensive knowledge of our business and personnel, our strategic initiatives and our industry, and also fosters real-time communication between management and the Board.

The Board's Oversight of Risk Management

The Board recognizes that companies face a variety of risks, including credit risk, liquidity risk, strategic risk, and operational risk. The Board believes an effective risk management system will (1) timely identify the material risks that we face, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board committee, (3) implement appropriate and responsive risk management strategies consistent with our risk profile, and (4) integrate risk management into our decision-making. The Board encourages and management promotes a corporate culture that incorporates risk management into our corporate strategy and day-to-day business operations. The Board also continually works, with the input of our management and executive officers, to assess and analyze the most likely areas of future risk for us.

Disclosure of Director Qualifications

The Board, acting through the Compensation and Nominating Committee, is responsible for assembling for stockholder consideration a group of nominees that, taken together, have the experience, qualifications, attributes, and skills appropriate for functioning effectively as a Board. The Compensation and Nominating Committee regularly reviews the composition of the Board in light of the Company's changing requirements, its assessment of the Board's performance, and the inputs of stockholders and other key constituencies.

In identifying and recommending nominees for positions on the Board, the Compensation and Nominating Committee places primary emphasis on the following: (i) a candidate's judgment, character, expertise, skills and knowledge useful to the oversight of our business; (ii) a candidate's business or other relevant experience; and (iii) the extent to which the interplay of the candidate's expertise, skills, knowledge and experience with that of other members of the Board will build a board of directors that is effective, collegial and responsive to our needs.

Following is a brief description of the specific experience and qualifications, attributes or skills of each director and director nominee that led to the conclusion that such person should serve as one of our directors:

Mr. Greene's professional experience and knowledge of our business and operations provides a critical link between management and the Board, enabling the board to provide its oversight function with the benefit of management's perspective of the business.

Mr. Fingerhut's knowledge of our business and background with the company as a founder and a director on the Board since 1981 provides the Board with valuable leadership skills and insight into our business.

Mr. Gorman's knowledge and understanding of securities regulations, and extensive knowledge, background and experience in both the financial services and legal sectors, which represents a substantial portion of our business, qualifies him to serve as one of our directors.

Mr. Lager's background and knowledge as a practicing certified public accountant provides the Board with the financial expertise it needs and valuable insight into the continuing educational needs and preferences of the accounting profession.

Mr. Stanley's professional experience gained as a certified public accountant and a senior manager in the financial services industry provides the Board with financial expertise and insight of the financial services industry.

In addition, the Compensation and Nominating Committee seeks to include on the Board a complementary mix of individuals with diverse backgrounds and skills reflecting the broad set of challenges that the Board confronts. These individual qualities can include matters like experience in our industry, technical experience (for example, financial or technological expertise), experience gained in situations comparable to ours (e.g., financial service companies, growth companies, and companies that grow through acquisitions), leadership experience, and relevant geographical experience.

The Compensation and Nominating Committee believes that the minimum qualifications for service as a director are that a nominee possess an ability, as demonstrated by recognized success in his or her field, to make meaningful contributions to the Board's oversight of our business and affairs and an impeccable reputation of integrity and competence in his or her personal or professional activities. The committee's evaluation of potential candidates will be consistent with the Board's criteria for selecting new directors. Such criteria include an understanding of our business environment and the possession of such knowledge, skills, expertise and diversity of experience so as to enhance the Board's ability to manage and direct our affairs and business, including when applicable, to enhance the ability of committees of the Board to fulfill their duties and/or satisfy any independence requirements imposed by law, regulation or listing requirements. The committee may also receive suggestions from current members of the Board, executive officers or other sources, which may be either unsolicited or in response to requests from the committee for such candidates. In addition, the committee may also, from time to time, engage firms that specialize in identifying director candidates.

Once a person has been identified by the committee as a potential candidate, the committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the committee determines that the candidate warrants further consideration, the chairman or another member of the committee may contact the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the committee may request information from the candidate, review the person's accomplishments and qualifications and may conduct one or more interviews with the candidate. The committee will consider all such information in light of information regarding any other candidates that the committee might be evaluating for membership on the Board. In certain instances, the committee members may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater

first-hand knowledge of the candidate's accomplishments. The committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder.

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It is our policy to invite and encourage all of the directors to attend the Annual Meeting. Two directors attended our 2013 Annual Meeting.

Principal Accountant Fees and Services

The aggregate fees billed by our principal accounting firm, Baker Tilly, for the fiscal years ended December 31, 2013 and 2012, are as follows:

	2013	2012
Audit fees (1)	\$99,500	\$99,500
Audit-related fees	--	--
Total audit and audit-related fees	99,500	99,500
Tax fees	--	--
All other fees	--	--
Total fees	\$99,500	\$99,500

(1) Includes \$16,500 of fees billed for services rendered in connection with their review of our quarterly reports on Form 10-Q for the fiscal years ended December 31, 2013 and 2012, respectively.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee charter provides that the Audit Committee will pre-approve audit services and non-audit services to be provided by our independent auditors before they are engaged to render these services. The Audit Committee may consult with management in the decision-making process but may not delegate this authority to management. The Audit Committee may delegate its authority to pre-approve services to one or more committee members, provided that the designees present the pre-approvals to the full committee at the next committee meeting.

Communications with Directors

The Board has established a process to receive communications from stockholders. Stockholders and other interested parties may contact any member (or all members) of the Board, or the non-management directors as a group, any Board committee or any chair of any such committee by mail or electronically. To communicate with the Board, any individual director or any group or committee of directors, correspondence should be addressed to the Board or any such individual directors or group or committee of directors by either name or title, care of the Secretary. All such correspondence should be sent to our principal executive offices or by e-mail to the Secretary at secretary@smartpros.com. All communications received as set forth in the preceding sentence will be opened by the Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, patently offensive material or matters deemed inappropriate for the Board will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the Secretary will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

EXECUTIVE COMPENSATION AND TRANSACTIONS WITH DIRECTORS, OFFICERS AND PRINCIPAL
HOLDERS

The following table sets forth information regarding compensation awarded to, earned by, or paid to our principal executive officer and our two most highly compensated executive officers, other than our principal executive officer whose total compensation exceeded \$100,000 in 2013 (collectively, the “Named Executive Officers”), for all services rendered to us in all capacities during the last two completed fiscal years.