

SMF ENERGY CORP  
Form DEF 14A  
September 24, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. \_\_\_)

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

Check the appropriate box:

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

**SMF ENERGY CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.  
 o 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:

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**SMF ENERGY CORPORATION**  
**200 West Cypress Creek Road, Suite 400**  
**Fort Lauderdale, Florida 33309**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be held on November 20, 2008**

To the Stockholders of SMF Energy Corporation:

**NOTICE IS HEREBY GIVEN** that an annual meeting of stockholders of SMF Energy Corporation (the “Company”) will be held at the Company’s Corporate Offices, 200 West Cypress Creek Rd., Suite 400, Fort Lauderdale, Florida, on November 20, 2008 beginning at 1:00 p.m. local time. At the meeting, stockholders will act on the following matters:

- To approve an amendment to the Company’s Certificate of Incorporation to effect a reverse stock split of the Company’s common stock at a specific ratio to be determined by the Board of Directors in its discretion, no later than 12 months after the annual meeting, within a range of not less than 2 to 1 and not more than 5 to 1;
- To approve an amendment to the 2001 Director Stock Option Plan to increase the amount of shares of common stock reserved for issuance from 350,000 to 500,000 (pre-split), or 70,000 to 100,000 (post the maximum 5 to 1 split);
- To approve an amendment to the 2000 Stock Option Plan to increase the amount of shares of common stock reserved for issuance from 1,939,853 to 2,500,000 (pre-split), or 387,971 to 500,000 (post the maximum 5 to 1 split);
- To elect seven (7) directors to the Company’s Board of Directors to serve until the next annual meeting of stockholders or until their successors are elected;
- To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the current fiscal year; and

· Any other matters that may properly come before the meeting.

Only stockholders of record at the close of business on September 22, 2008 are entitled to receive notice of and to vote at the annual meeting or any postponement or adjournment thereof.

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Your vote is important. Whether you plan to attend the meeting or not, you may vote your shares by marking, signing, dating and mailing the enclosed proxy card in the envelope provided. If you hold your shares through your brokerage account or in "street name," telephone or Internet voting may be available to you. Check your proxy card for information. If you attend the meeting and prefer to vote in person, you may do so even if you have already voted your shares. You may revoke your proxy in the manner described in the proxy statement at any time before it has been voted at the meeting.

By Order of the Board of Directors

**LOUISE P. LUNGARO**  
Secretary

September 24, 2008  
Fort Lauderdale, Florida

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**SMF ENERGY CORPORATION**  
**200 West Cypress Creek Road, Suite 400**  
**Fort Lauderdale, Florida 33309**

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**PROXY STATEMENT**

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This proxy statement contains information related to the annual meeting of stockholders to be held on November 20, 2008 at 1:00 p.m. local time, at the Corporate Office of SMF Energy Corporation (the "Company"), 200 West Cypress Creek Rd., Suite 400, Fort Lauderdale, Florida, or at such other time and place to which the annual meeting may be adjourned or postponed. You may obtain directions to the meeting by contacting us at (954) 308-4175. The enclosed proxy is solicited by the Board of Directors of the Company. The proxy materials relating to the annual meeting are being mailed to stockholders entitled to vote at the meeting on or about September 25, 2008.

**Important Notice Regarding the Availability of Proxy Materials for  
the Annual Meeting of Stockholders to be Held on November 20, 2008.**

**The Company's Notice and Proxy Statement are available at  
<http://www.mobilefueling.com/proxystatements.htm>.**

**The Company's Annual Report to Stockholders for the year ended June 30, 2008 is  
available at <http://www.mobilefueling.com/annualreports.htm>.**

**ABOUT THE MEETING**

***Why are we calling this annual meeting?***

We are calling the annual meeting to seek the approval of our stockholders to:

- Approve an amendment to the Company's Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a specific ratio to be determined by the Board of Directors in its discretion, within 12 months from the annual meeting and within a range of not less than 2 to 1 and not more than 5 to 1;
- Approve an increase in the amount of shares of common stock reserved for issuance under the Company's 2001 Director Stock Option Plan from 350,000 to 500,000 (pre-split), or 70,000 to 100,000 (post the maximum 5 to 1 split);
- Approve an increase in the amount of shares of common stock reserved for issuance under the Company's 2000 Stock Option Plan from 1,939,853 to 2,500,000 (pre-split), or 387,971 to 500,000 (post the maximum 5 to 1 split);

- To elect seven directors to the Company's Board of Directors to serve until the next annual meeting of stockholders or until their successors are elected;
- To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the current fiscal year; and

Any other matters that may properly come before the meeting.

***What are the Board of Directors' recommendations?***

Our Board of Directors believes that (i) the approval of an amendment to the Company's Certificate of Incorporation in order to effect a reverse stock split of the Company's common stock within a range of not less than 2 to 1 and not more than 5 to 1; (ii) the approval of an amendment to the Company's 2001 Director Stock Option Plan to increase the amount of shares reserved for issuance from 350,000 to 500,000 (pre-split), or 70,000 to 100,000 (post the maximum 5 to 1 split); (iii) the approval of an amendment to the Company's 2000 Stock Option Plan to increase the amount of shares reserved for issuance from 1,939,853 to 2,500,000 (pre-split), or 387,971 to 500,000 (post the maximum 5 to 1 split); (iv) the election of the nominated directors and (v) the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm are advisable and in the best interests of the Company and its stockholders and recommends that you vote FOR the amendment to the Certificate of Incorporation, the amendment to the 2001 Director Stock Option Plan, the amendment to the 2000 Stock Option Plan, the director nominees and the ratification of Grant Thornton LLP.

***Who is entitled to vote at the meeting?***

Only stockholders of record at the close of business on the record date, September 22, 2008, are entitled to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at the meeting, or any postponement or adjournment of the meeting.

Holders of our common stock (the "Common Stock") are entitled to one vote per share on each matter to be voted upon. Holders of our Series A Convertible Preferred Stock (the "Series A Preferred Stock"), Series B Convertible Preferred Stock (the "Series B Preferred Stock") and Series C Convertible Preferred Stock (the "Series C Preferred Stock," and together with the Series A Preferred Stock and Series B Preferred Stock, the "Preferred Stock") are also entitled to one vote per share on each matter to be voted upon at the meeting. Except as may be required by law, the holders of Preferred Stock vote together with the holders of Common Stock as a single class. For each of the actions described herein, the holders of Preferred Stock will vote with the Common Stock as a single class. The holders of our Common Stock and Preferred Stock are collectively referred to in this proxy statement as the "Voting Stockholders," and the shares of Common Stock and Preferred Stock entitled to vote at the meeting are referred to as the "Voting Shares."

As of the record date, we had 14,938,295 outstanding shares of Common Stock, 4,205 outstanding shares of Series A Preferred Stock, 1,985 outstanding shares of Series B Preferred Stock and 229 outstanding shares of Series C Preferred Stock, for a total of 14,944,714 Voting Shares. If and to the extent holders of our Preferred Stock convert their shares of Preferred Stock to Common Stock before the record date for the meeting, the number of shares held by Voting Stockholders would increase, since each share of Preferred Stock is convertible into 1,000 shares of Common Stock.

***Who can attend the meeting?***

All stockholders as of the record date, or their duly appointed proxies, may attend the annual meeting. Please note that if you hold your shares in “street name” (that is, through a broker or other nominee), to be admitted to the meeting, you will need to bring a copy of your proxy card as it was delivered to you by your brokerage firm. You cannot vote that proxy card at the meeting, however, since your brokerage firm has the record ownership of your shares. If you want to vote your “street name” shares at the meeting, your brokerage firm can give you a legal proxy that will give you the right to cast your vote in person at the meeting. Otherwise, you can cast your vote through your brokerage firm by returning your proxy and bringing a copy of it to the meeting for admittance.

***What constitutes a quorum?***

The presence at the annual meeting, in person or by proxy, of the holders of not less than one-third of the Voting Shares outstanding on the record date will constitute a quorum for our annual meeting. Signed proxies received but not voted, abstentions and broker non-votes will be included in the calculation of the number of Voting Shares considered to be present at the annual meeting.

***How do I vote?***

You may vote your Voting Shares at the annual meeting either in person or by proxy. To vote by proxy, you should mark, date, sign and mail the enclosed proxy in the prepaid envelope. Giving a proxy will not affect your right to vote your Voting Shares if you attend the annual meeting and want to vote in person. The Voting Shares represented by the proxies received in response to this solicitation and not properly revoked will be voted at the annual meeting in accordance with the instructions therein. On the matters coming before the annual meeting for which a choice has been specified by a stockholder on the proxy card, the Voting Shares will be voted accordingly. If you return your signed proxy, but do not mark your voting preference, the individuals named as proxies will vote your Voting Shares FOR the matters submitted for a vote at the meeting.

Abstentions will be counted towards the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes, other than for the election of directors. Broker non-votes (shares held by brokers that do not have discretionary authority to vote on the matter and have not received voting instructions from their clients) are not deemed to be present or represented by proxy for purposes of determining whether stockholder approval of a proposal has been obtained and therefore will not be counted for purposes of determining whether a proposal has been approved. Broker non-votes will, however, have the same effect as negative votes for the reverse stock split proposal. The inspector of election appointed for the meeting will tabulate all votes and will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

If you have any questions or need any assistance voting your shares, please contact our proxy solicitation firm, The Altman Group, Inc., toll free at (866) 721-1447.

***What if I vote by proxy and then change my mind?***

You may revoke your proxy at any time before it is exercised by:

- filing with the Secretary of the Company a notice of revocation;
- sending in another duly executed proxy bearing a later date; or
- attending the meeting and casting your vote in person.

Your latest vote will be the vote that is counted.

***What vote is required to approve the items of business?***

The proposal to approve an amendment to the Company's Certificate of Incorporation to effect a reverse stock split of the Common Stock requires the affirmative vote of a majority of the shares of Common Stock entitled to vote thereon and the affirmative vote of a majority of the Voting Shares entitled to vote thereon. Approval of the amendments to the 2001 Director Stock Option Plan and the 2000 Stock Option Plan to increase the number of shares reserved for issuance under each of those plans requires the affirmative vote of a majority of the Voting Shares present in person or by proxy at the meeting and entitled to vote thereon. For purposes of electing directors, the nominees receiving the greatest number of votes of the Voting Shares present in person or by proxy at the meeting and entitled to vote thereon, shall be elected as directors. Ratification of Grant Thornton LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the Voting Shares present in person or by proxy at the meeting and entitled to vote thereon. Approval of any other matter that may properly come before the Annual Meeting requires the affirmative vote of a majority of the Voting Shares present in person or by proxy at the meeting and entitled to vote thereon (unless such other matter requires a greater vote under our Articles of Incorporation or Delaware law).

***How are we soliciting this proxy?***

We are soliciting this proxy on behalf of our Board of Directors and we will pay all expenses associated therewith. In addition to solicitation by mail, officers, directors and other employees of the Company may, without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, or by telephone, facsimile or other electronic means. We will, upon request, reimburse brokers and other persons holding stock in their names, or in the names of nominees, for their reasonable out-of-pocket expenses for forwarding proxy materials to the beneficial owners of the capital stock and to obtain proxies. We also have hired The Altman Group, Inc. to assist us in the solicitation of votes. We will pay The Altman Group a fee of \$5,000 plus out of pocket expenses, not to exceed \$1,500.



**PROPOSAL NO. 1**

**APPROVAL OF AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT**

**Introduction**

The Board of Directors (the "Board") is recommending that the stockholders approve an amendment to our Certificate of Incorporation to effect a reverse stock split of outstanding shares of our Common Stock at a ratio within a range of 2 to 1 to 5 to 1. If this proposal is approved, the Board will have the authority to decide, within 12 months from the annual meeting, whether to implement the split and the exact ratio of the split.

If a reverse stock split is implemented by the Board, all of the issued and outstanding shares of Common Stock will be reduced in accordance with the exchange ratio selected by the Board. Following the reverse stock split, all of our other outstanding securities that are convertible into or exercisable for shares of Common Stock, including convertible promissory notes and warrants, will be convertible or exercisable at a proportionately higher price for a lesser number of shares of Common Stock, as determined by the documents governing such security. The reverse stock split, if implemented, would not change the number of authorized shares of Common Stock or the par value of our Common Stock.

If this proposal is approved and the Board does implement a reverse stock split, it will become effective after the amendment to the Company's Certificate of Incorporation is filed with the Secretary of State of the State of Delaware (the "Effective Date"). The form of the Certificate of Amendment is attached hereto as Appendix A. The following discussion is qualified in its entirety by the full text of the Certificate of Amendment, which is hereby incorporated by reference.

**Purposes of the Reverse Stock Split**

The principal purpose of the reverse stock split is to increase the market price of the Common Stock above \$1.00 per share. The Common Stock is a listed security on the Nasdaq Capital Market and, in order for the Common Stock to continue to be quoted thereon, the Company must satisfy various listing standards established by the Nasdaq Stock Market ("Nasdaq"), including, but not limited to, maintenance of a closing bid price per share of \$1.00 or more.

On December 28, 2007, the Company received a notice from Nasdaq (the "Notice") that the bid price of its Common Stock had closed below the minimum \$1.00 per share requirement for 30 consecutive business days. The notice further provided that, in accordance with Marketplace Rule 4310(c)(8)(D), the Company had 180 calendar days, or until June 25, 2008, to regain compliance. Compliance would be achieved if at any time before June 25, 2008, the bid price of the Common Stock closed at \$1.00 or more per share for a minimum of 10 consecutive business days (or, subject to Nasdaq's discretion, as many as 20 consecutive trading days), in which event Nasdaq would provide written notification that the Company is in compliance with the minimum bid price requirement. The notice also stated that, if the Company could not demonstrate compliance with the minimum bid price requirement by June 25, 2008, but met all of the other Nasdaq Capital Market initial listing criteria as set forth in Nasdaq Marketplace Rule 4310(c) (which are more rigorous than the continued listing criteria), then the Company would be eligible for an additional 180 days to regain compliance.

On June 26, 2008, the Company received a second notice from Nasdaq (the "Letter") indicating that its Common Stock had not regained compliance with the \$1.00 minimum bid price continued listing requirement set forth in Marketplace Rule 4310(c)(4) during the 180 day period. The Letter further stated that, because the Company did not meet the Rule 4310(c) initial listing criteria on that date, it was not eligible for an additional 180 day compliance period from Nasdaq. Accordingly, the Letter stated that, in the absence of an appeal of the Staff's determination to a Nasdaq Listing Qualifications Panel (the "Panel"), the Company's Common Stock was subject to delisting from Nasdaq at the opening of business on July 8, 2008.

On July 1, 2008, the Company filed its appeal of the Staff's determination and requested a hearing before the Panel. The Company's appeal and hearing request stayed the delisting action pending the issuance of a final decision by the Panel. The hearing on the Company's appeal was held on August 14, 2008 and the Company requested a temporary exception to the minimum bid price requirement to allow time for the Company to complete the reverse stock split, and for the reverse stock split to take effect. On September 11, 2008, Nasdaq notified the Company that the Panel granted the Company's request for continued listing on this basis; however, the Company must evidence, on or before December 23, 2008, a closing bid price of \$1.00 or more for a minimum of ten prior consecutive trading days.

Moreover, while the Company expects that such a reverse stock split, once in effect, would increase the Company's stock price above the minimum bid price, there can be no assurance that the market price per post-split share will either exceed or remain in excess of the \$1.00 minimum bid price for the sustained period of time necessary to ensure long term compliance with Marketplace Rule 4310(c)(4). The market price of our Common Stock may be affected by various other factors unrelated to the number of shares outstanding after the reverse stock split, including our future performance and general market conditions.

If a delisting were to occur, the Common Stock would likely trade in the over-the-counter market on the National Association of Securities Dealers' OTC Bulletin Board (the "OTCBB"), which was established for trading the securities of reporting companies that do not meet the Nasdaq listing requirements. The OTCBB is generally considered less efficient than the Nasdaq Capital Market. As a result, it could be more difficult for an existing stockholder to sell shares of the Common Stock. On the OTCBB, trading volumes are typically lower, transactions can be delayed, and coverage of the Company by securities analysts and news media, which is already limited, may be reduced. In turn, these factors could result in lower prices for the Common Stock or larger "spreads" between the "bid" and "ask" prices quoted by market makers for shares of the Common Stock, either of which could reduce the prices available for sales of the Common Stock by existing stockholders.

Delisting from Nasdaq could also impair the Company's ability to raise additional capital through equity or debt financing since Nasdaq listed securities are typically viewed as more liquid than securities that are not traded on a national securities exchange. In addition, if delisting does cause lower prices for the Common Stock, it could then cause an increase in the ownership dilution to stockholders when the Company issues equity securities in financing or other transactions. The price at which the Company issues shares in such transactions is generally based on or related to the market price of its Common Stock, so a decline in the market price of its Common Stock could result in the need for the Company to issue a greater number of shares to raise a given amount of funding or to acquire a given dollar value of goods or services.

In addition, if the Common Stock is not listed on the Nasdaq Capital Market, the Company may become subject to Rule 15g-9 under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”) because the Common Stock may be classified as a “penny stock” under Exchange Act Rule 3a51-1. That rule imposes additional sales practice requirements on broker-dealers who sell low-priced securities to persons other than established customers and institutional accredited investors. For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to sale. Consequently, the rule may affect the ability of broker-dealers to sell the Common Stock and may affect the ability of holders to sell their shares of Common Stock in the secondary market. Moreover, investors may be less interested in purchasing low-priced securities because the brokerage commissions, as a percentage of the total transaction value, tend to be higher for such securities. Also, institutional investors will usually not invest in low-priced securities (other than those which focus on small-capitalization companies or low-priced securities).

As a consequence of no longer having its shares listed on a national securities exchange, the Company will no longer be able to use the SEC’s short form registration forms, such as Form S-3, to register under the Securities Act of 1933 the resale of Common Stock previously sold by the Company in unregistered offerings or the Common Stock underlying warrants or convertible notes but will have to instead use the longer Form S-1. As a result, the registration of these securities for resale will probably require more time and effort, which may in turn reduce the value of any Common Stock or other securities that are sold in unregistered offerings. The negative impact of long form registration has been reduced, however, by recent SEC rule changes that permit most purchasers of stock in unregistered offering to freely resell their securities six months after the purchase under Rule 144.

While there is no guarantee, the Board believes that the reverse stock split, at the split ratio ultimately selected by the Board, will increase the per share closing bid price of our Common Stock enough to ensure continued compliance with the Nasdaq minimum bid price listing requirement and to generate additional interest in the Company among investors. On the other hand, it is possible that the closing bid price will not remain above \$1.00 for the 10 to 20 trading days required by Nasdaq to determine that the Company has regained compliance with the minimum bid price requirement. In addition, even if the closing bid price does stay above \$1.00 long enough for Nasdaq to make such a determination, if it subsequently falls below \$1.00 for another 30 consecutive trading days, the Company will once again receive a notice of noncompliance from Nasdaq and another 180 days to reestablish compliance with the \$1.00 minimum price standard. If this proposal passes and the Board does decide to effect the reverse stock split, the Board will consider these risks when it selects the split ratio.

If this reverse stock split proposal passes, the Board of Directors may nevertheless decide not to declare any reverse stock split at all. Under the proposal, the Board is retaining this discretion for several reasons. First, the closing bid price of the Common Stock could go over \$1.00 for 10 or 20 consecutive trading days before the annual meeting of stockholders without the need for any reverse stock split. Second, the closing bid price could be so low that a reverse stock split could not assure a post-split price above \$1.00. Finally, the Company may not otherwise meet the requirements for continued listing on the Nasdaq Capital Market. In particular, Nasdaq Marketplace Rule 4310 provides that, for continued listing, the issuer must maintain either (A) stockholders' equity of \$2.5 million; or (B) market value of listed securities of \$35 million; or (C) net income from continuing operations of \$500,000 in the most recently completed fiscal year or in two of the last three most recently completed fiscal years. Because (a) the market value of the Company's Common Stock is currently less than \$10 million, (b) the Company did not have net income from operation in the last three fiscal years, and (c) because the Company's stockholders' equity was below the \$2.5 million minimum as of December 31, 2007, the Company received notice in March of 2008 that it did not otherwise qualify for continued listing on Nasdaq. While the Company subsequently raised additional equity capital to increase its stockholders' equity above the \$2.5 million level and continues to meet that criterion for Nasdaq listing as of the date hereof, there is no assurance that the Company will continue to meet the stockholders' equity or other Nasdaq listing requirements. If this reverse stock split proposal passes but Nasdaq makes a final determination to delist the Common Stock on account of the stockholders' equity or any other reason before a reverse stock split has been declared by the Board, it is unlikely that the Board would declare any reverse stock split.

In any event, the efficacy of a reverse stock split in maintaining compliance with Nasdaq's minimum bid price requirement is uncertain. While the short-term result of a reverse stock split can be fairly predicted, the long-term consequences are less predictable. The price of the Common Stock is likely to be affected by our performance and by general market and economic conditions that cannot be predicted or evaluated by the Board at this time. Accordingly, even if the reverse stock split is successful in reestablishing compliance with Nasdaq's minimum bid price requirement and we meet the stockholders' equity and other requirements needed to maintain our Nasdaq listing, there is no assurance that the market value of the Common Stock will be greater after a reverse stock split than it would be without ever effecting a reverse stock split.

#### **Determination of Reverse Stock Split Ratio**

If the stockholders approve the proposal, the Board will be authorized to exercise its discretion as to whether to effect the reverse stock split, when to effect it, and what the split ratio should be. In making these determinations, the Board will consider a number of factors, including:

- the historical and projected performance of our Common Stock and volume level before and after the reverse stock split,
- prevailing market conditions,
- general economic and other related conditions prevailing in our industry and in the marketplace generally,
- the projected impact of the selected reverse stock split ratio on trading liquidity in our Common Stock and our ability to continue our Common Stock's listing on the Nasdaq Capital Market,
- our capitalization (including the number of shares of our Common Stock issued and outstanding),

- the prevailing trading price for our Common Stock and the volume level thereof, and
- potential devaluation of our market capitalization as a result of a reverse stock split.

The proposal gives the discretion to select the reverse stock split ratio from within a range to the Board, rather than proposing fixing a specific ratio at this time, in order to give the Company the flexibility to implement a reverse stock split at a ratio that reflects the Board's then-current assessment of the factors described above and to respond to other developments that may be deemed relevant, when considering the appropriate ratio. This flexibility is considered essential for the Board to be able to react to changes in market conditions between the date of this proxy statement and the date of the annual meeting, as well as the length of time that would be required for the Company to hold an additional annual meeting to approve the final reverse stock split ratio.

### Material Effects of Proposed Reverse Stock Split

The reverse stock split and amendment of our Certificate of Incorporation will not change the terms of the Common Stock. After the reverse stock split, the shares of Common Stock will have the same voting rights and rights to dividends and distributions, if any, and will be identical in all other respects to the Common Stock now authorized. The Common Stock issued pursuant to the reverse stock split will remain fully paid and non-assessable. The reverse stock split is not intended as, and will not have the effect of, a "going private transaction" covered by Rule 13e-3 under the Exchange Act. Following the reverse stock split, the Company will continue to file Forms 10-K, 10-Q, and 8-K and will remain subject to the reporting requirements of the Exchange Act.

The following table illustrates the principal effects of a 2 to 1 and 5 to 1 reverse stock split on our authorized and outstanding shares of our Common Stock as of September 22, 2008:

Common Stock	Number of Shares Prior to Reverse Stock Split	Number of Shares After Reverse Stock Split	
		2 to 1	5 to 1
Authorized	50,000,000	50,000,000	50,000,000
Issued & Outstanding <sup>(1)</sup>	14,938,295	7,469,148	2,987,659
Authorized and Reserved for Issuance <sup>(2)</sup>	13,448,857	6,724,429	2,689,771
Authorized but unreserved and Available for Future Issuances <sup>(3)</sup>	21,612,848	35,806,423	44,322,570

(1) Subject to adjustment for fractional shares.

(2) Includes shares of Common Stock issuable (i) upon the exercise of outstanding stock options, (ii) upon the exercise of warrants to purchase Common Stock, (iii) upon the conversion of promissory notes, (iv) upon conversion of the Series A Convertible Preferred Stock, (v) upon conversion of the Series B Convertible Preferred Stock, and (vi) upon conversion of the Series C Convertible Preferred Stock.

(3) Excludes shares of Common Stock issuable (i) upon the exercise of outstanding stock options, (ii) upon the exercise of warrants, (iii) upon the conversion of promissory notes, (iv) upon conversion of the Series A Convertible Preferred Stock, (v) upon conversion of the Series B Convertible Preferred Stock, and (vi) upon

conversion of the Series C Convertible Preferred Stock.

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Other material effects of the reverse stock split will be that:

- All outstanding warrants entitling holders to purchase shares of Common Stock will enable such holders to purchase, upon exercise of their warrants, the number of shares of Common Stock as proportionately reduced by the same ratio as selected for the reverse stock split at an exercise price proportionately increased by the same ratio.
- All outstanding convertible promissory notes entitling holders to convert such notes into shares of Common Stock will enable such holders to convert the notes into the number of shares of Common Stock as proportionately reduced by the same ratio as selected for the reverse stock split at a conversion price proportionately increased by the same ratio.
- All outstanding shares of Preferred Stock entitling holders to convert such shares of Preferred Stock into shares of Common Stock will enable such holders to convert the shares of Preferred Stock into the number of shares of Common Stock as proportionately reduced by the same ratio as selected for the reverse stock split at a conversion price proportionately increased by the same ratio.
- All of our equity incentive plans, which include the SMF Energy Corporation Stock Option Plan, the SMF Energy Corporation 2000 Stock Option Plan and the SMF Energy Corporation 2001 Director Stock Option Plan, include provisions requiring appropriate adjustments to the number of shares of Common Stock covered by the plans and stock options and other grants under those plans, as well as option exercise prices. Further, the number of shares of our Common Stock reserved for issuance (including the number of shares subject to automatic annual increase and the maximum number of shares that may be subject to options) under our existing stock option plans and employee stock purchase plans will be reduced by the same ratio as selected for the reverse stock split.

Stockholders should recognize that if the reverse stock split is effected they will own fewer number of shares than they presently own, depending on the ratio of the reverse stock split effected by the Board. In addition, the reverse stock split will increase the number of stockholders of the Company who own odd-lots (less than 100 shares). Stockholders who hold odd-lots may experience an increase in the cost of selling their shares, as well as greater difficulty in effecting such sales.

After effecting the reverse stock split, the number of authorized but unissued shares of Common Stock would increase from 21,612,848 to 35,806,423 (based on a 2 for 1 reverse split) or to 44,322,570 (based on the maximum 5 to 1 split). The Company does not currently have any plans, proposals or arrangements, written or otherwise, to issue these additional shares. The Board, however, may issue these shares in its discretion. If the Company issues additional shares subsequent to the reverse stock split, the dilution to the ownership interest of the Company's existing stockholders may be greater that would otherwise occur had the reverse stock split not been effectuated.

Although the increased proportion of authorized but unissued shares to issued shares could, under certain circumstances, have an anti-takeover effect (for example, management could use the additional shares to resist or frustrate a third-party transaction providing an above-market premium that is favored by a majority of the independent stockholders or by permi