SmartPros Ltd.
Form DEF 14A
April 26, 2013
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 R

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)

R 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):

R 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:

(5) Total fee paid:

£ Fee paid previously with preliminary materials.

£ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(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, June 20, 2013 at 10:00 A.M.

TO THE STOCKHOLDERS OF SMARTPROS LTD.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of SmartPros Ltd. ("SmartPros") will be held at SmartPros' headquarters at 12 Skyline Drive, Hawthorne, NY 10532, on Thursday, June 20, 2013 at 10:00 A.M. Eastern Time for the following purposes:

1. To elect two (2) Class III directors to serve until the annual meeting of stockholders in 2016 and until their respective successors have been elected and qualified.

2. To approve the non-binding advisory resolution relating to executive compensation.

3. To approve the non-binding advisory vote on the frequency of an advisory vote on executive compensation.

4. To obtain advisory approval of the appointment of Holtz Rubenstein Reminick LLP as independent auditors for SmartPros for the year ending December 31, 2013.

5. 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 April 24, 2013, 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

May 1, 2013

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.

* * * * * * *

IMPORTANT:

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting to Be Held on Thursday, June 20, 2013:

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

* * * * * * *

SMARTPROS LTD.

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Thursday, June 20, 2013

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 2013 Annual Meeting of Stockholders to be held at SmartPros' headquarters at 12 Skyline Drive, Hawthorne, NY 10532, on Thursday, June 20, 2013 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 May 1, 2013.

THE VOTING & VOTE REQUIRED

Record Date and Quorum

Only stockholders of record at the close of business on April 24, 2013 (the "Record Date"), are entitled to notice of and vote at the Annual Meeting. On the Record Date, there were 4,680,941 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 III director nominees named in this Proxy Statement; (ii) for the non-binding advisory resolution relating to executive compensation; (iii) for the holding of a non-binding advisory vote on executive compensation every three years; (iv) for the advisory appointment of the independent auditors for the year ending December 31, 2013; and (v) in their discretion, on any other business that may 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 and Approval of the Non-Binding Advisory Vote on the Frequency of an Advisory Vote on Executive Compensation (the “Frequency Vote”). The election of the Class III director nominees and the approval of the Frequency Vote will require a plurality of the votes cast on each of the matters 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. With respect to the Frequency Vote, a stockholder may vote to set the Frequency Vote to occur every year, every two years, or every three years, or the stockholder may vote to abstain. 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 and Approval of the Non-Binding Advisory Resolution Relating to Executive Compensation. 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, 2013 and the non-binding advisory resolution relating to executive compensation. 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 either 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 III directors will be elected to serve until the annual meeting of stockholders in 2016 and until his successor is elected and qualified. The Board has nominated Allen S. Greene and Leonard J. Stanley for election as Class III directors. Messrs. Greene and Stanley are currently Class III directors. The accompanying form of Proxy will be voted for their re-election as Class III directors, unless the Proxy contains contrary instructions. We have no reason to believe that either of Messrs. Greene and Stanley 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 Allen S. Greene and Leonard J. Stanley as Class III Directors and Proxies that are Signed and Returned Will Be So Voted Unless Otherwise Instructed.

*   *   *   *   *

2

MANAGEMENT INFORMATION

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

Nominees for Election as a Class III Director

Term Expiring 2016

Allen S. Greene, age 66. 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 58. 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.

Incumbent Class I Directors

Term Expiring 2014

Martin H. Lager, age 61. 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 58. 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 62. 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.

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	66	Chief Executive Officer, Chairman of the Board, 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	62	President and Director
Stanley P. Wirtheim	63	Chief Accounting and Financial Officer, Treasurer and Chief Financial Officer of iReflect, LLC
Joseph R. Fish	47	Chief Technology Officer
Karen S. Stolzar	64	Vice-President and Secretary
Significant Employees		

Seth Oberman	48	President of Skye Multimedia, Inc. and iReflect, LLC
John Fleming	64	President of Loscalzo Associates, Ltd.
Michael Fowler	49	Senior Vice President of Business Development

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.

John Fleming. Mr. Fleming has been the president of our Loscalzo Associates, Ltd. Subsidiary since 2010. He joined Loscalzo Associates, Ltd. in 1989 as its director of accounting and auditing. Prior to joining Loscalzo Associates, Ltd he was a partner and director with Richard Eisner & Co from 1987 to 1989. Mr. Fleming received a BS in Accounting in 1970 from LaSalle University and a MBA in Finance from Drexel University in 1976. He is a certified public accountant in the State of Pennsylvania.

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 2012.

In determining director independence, the Board considered the compensation paid to Messrs. Lager, Stanley and Gorman for the year ended December 31, 2012, 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.

Audit Committee Report

The Audit Committee was established to meet with SmartPros’ management and its independent accountants, Holtz Rubenstein Reminick LLP, 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, 2012, and met with its management to discuss such audited financial statements. The Audit Committee has discussed with Holtz Rubenstein Reminick LLP the matters required to be discussed pursuant to Statement on Accounting Standards No. 61, as amended, as adopted by the Public Company Accountant Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from Holtz Rubenstein Reminick LLP required by the Public Company Accountant Oversight Board regarding the independent accountant’s communications with the Audit Committee concerning independence and has discussed with Holtz Rubenstein Reminick LLP its independence from SmartPros and its management. Holtz Rubenstein Reminick LLP 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, 2012 be included in its Annual Report on Form 10-K for the year ended December 31, 2012 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 did not meet in 2012. 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 Stolzar, 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

6

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 serves 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 the 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 acquistions), 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.

It is our policy to invite and encourage all of the directors to attend the Annual Meeting. Two directors attended our 2012 Annual Meeting.

Principal Accountant Fees and Services

The aggregate fees billed by our principal accounting firm, Holtz Rubenstein Reminick LLP, for the fiscal years ended December 31, 2012 and 2011, are as follows:

	2012	2011
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, 2012 and 2011, 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 2012 (collectively, the "Named Executive Officers"), for all services rendered to us in all capacities during the last two completed fiscal years.

Summary Compensation Table

Name and Principal Position (a)	**Year** (b)	**Salary** (c)	**Bonus** (d)(1)	**Stock Awards** (e)(2)		**Option Awards** (f)(2)		**All Other Comp** (i)(3)	**Total** (j)
Allen S. Greene,	2012	$350,000	$ -	$ -		$-		$41,204	$391,204
Chief Executive Officer	2011	$328,502	$-	$ 78,333	(4)	$29,633	(6)	$41,972	$478,440
Jack Fingerhut,	2012	$225,000	$-	$ -		$-		$23,517	$248,517
President	2011	$218,750	$-	$ 11,750	(5)	$5,970	(7)	$22,911	$259,381
Joseph Fish	2012	$205,000	$-	$ -		$-		$26,183	$231,183
Chief Technology Officer	2011	$194,063	$-	$ 11,750	(5)	$14,925	(8)	$26,055	$246,793

(1) No cash bonuses were awarded in 2011 or 2012.

(2) Represents the aggregate grant-date fair value of the awards computed in accordance the Financial Accounting Standards Board (FASB) Accounting Standards Codified Topic 718 ("FASB ASC Topic 718"). The assumptions underlying the valuation of equity awards are set forth in footnote# 6 of our financial statements, included in the Annual Report on Form 10-K provided with this Proxy Statement.

(3) Car allowance (net of taxable portion) or payment, and medical and long-term disability insurance.

(4) Represents the grant-date fair value on an aggregate of 33,333 Common Shares awarded on March 10, 2011 of which (i) 11,111 shares vest in three equal installments on March 1, 2012, 2013 and 2014.

(5) Represents the grant-date fair value on an aggregate of 5,000 Common Shares awarded on March 10, 2011, all of which vest on March 1, 2014.

(6) Represents the grant-date fair value on an option awarded on August 9, 2011 exercisable for 50,000 Common Shares at an exercise price of $1.99 and vest in three equal installments on December 31, 2011, 2012 and 2013.

(7) Represents the grant-date fair value on an option awarded on August 9, 2011 exercisable for 10,000 Common Shares at an exercise price of $1.99, all of which vest on August 9, 2014.

(8) Represents the grant-date fair value on an option awarded on August 9, 2011 exercisable for 25,000 Common Shares at an exercise price of $1.99, all of which vest on February 28, 2015.

Employment Agreements

We have employment agreements with each of the Named Executive Officers.

The employment agreement with Allen S. Greene, dated as of February 1, 2007, is for a term of three years but renews automatically for a new three-year term at the end of the first year of each three-year term unless either party gives written notice at least thirty (30) days prior to the end of the first year of each three year term of its intention not to renew the agreement. In 2012, Mr. Greene's annual base salary was $350,000 and was subject to increases and bonuses awarded by the compensation committee. Mr. Greene is also entitled to either a company car or a car allowance and is also entitled to participate in all of our employee benefit programs, including health and long-term disability insurance. In the event we terminate the agreement without cause (as defined) or if Mr. Greene terminates the agreement for good reason (as defined), Mr. Greene is entitled to the remainder of his base salary and all fringe benefits and an average of the last two years annual bonuses.

The employment agreement with Jack Fingerhut, as amended to date, is for a term of three years, through September 30, 2014, but renews automatically for a new three-year term at the end of each successive three-year term unless either party gives written notice of nonrenewal at least thirty (30) days prior to the end of any term of its intention not to renew the agreement. In 2012, Mr. Fingerhut's annual base salary was $225,000 and was subject to increases and bonuses awarded by the compensation committee. He is also entitled to participate in all of our employee benefit programs, including health and long-term disability insurance. In addition, he receives an annual car allowance. In the event: (i) his contract is terminated by us without cause (as defined), he will be entitled to his base salary and all fringe benefits for the remainder of the term of the contract, and a payment equal to the average of the then last two years bonuses multiplied by the number of years, or fraction thereof, remaining on the term of the contract; or (ii) he is not continued in a position at the same or greater salary within 30 days after a change in control (as defined), he will be entitled to severance pay equal to his annual base salary in lieu of any other payments that would be due under the contract.

The employment agreement with Joseph Fish, as amended to date, is for a term of two years, through February 28, 2014, but renews automatically for a new two-year term at the end of each successive two-year term unless either party gives written notice of nonrenewal at least thirty (30) days prior to the end of any term of its intention not to renew the agreement. In 2012, Mr. Fish's annual base salary was $205,000 and was subject to increases and bonuses awarded by the compensation committee. He is also entitled to participate in all of our employee benefit programs, including health and long-term disability insurance. In addition, he receives an annual car allowance. In the event: (i) his contract is terminated by us without cause (as defined), he will be entitled to his base salary for the remainder of the term of the contract; (ii) he is not continued in a position at the same or greater salary within 30 days after a change in control (as defined) during the first year of any two-year term, he will be entitled to severance pay equal to his annual base salary in lieu of any other payments that would be due under the contract; or (iii) he is not continued in a position at the same or greater salary within 30 days after a change in control (as defined) during the second year of any two-year term, he will be entitled to severance pay equal to six (6) months of his base salary in lieu of any other payments that would be due under the contract.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

11

Outstanding Equity Awards At December 31, 2012 (Fiscal Year-End)

	Options Awards				Stock Awards	
Name (a)	Number of Securities Underlying Unexercised Options(#) Exercisable (b)	Number of Securities Underlying Unexercised Options(#) Unexercisable (c)	Option Exercise Price (e)	Option Expiration Date (f)	Number of Shares of Stock That Have Not Vested (g)	Market Value of Shares That Have Not Vested (h)(1)
Allen S. Greene	10,000(2)	---	$5.78	09/23/2017	12,500(3)	$18,375
	50,000(4)		$2.54	02/19/2019	22,222(6)	$32,666
	33,334 (5)	16,666(5)	$1.99	08/08/2021		
Jack Fingerhut	10,000(7)	--	$2.75	10/11/2016	5,000(6)	$7,350
	5,000(2)	--	$5.78	09/23/2017		
	--	10,000(5)	$1.99	08/08/2021		
Joseph Fish	15,000(8)	--	$3.44	10/02/2015		
		25,000(5)	$1.99	08/08/2021	5,000(6)	$7,350

(1) Market value as of December 31, 2012 at closing price of $1.47.

(2) Awarded on September 24, 2007.

(3) Awarded on February 19, 2009. The final of four equal installments vested on February 1, 2013.

(4) Awarded on February 19, 2009.

(5) Awarded on August 9, 2011. Mr. Greene’s option vests in three equal installments on December 31, 2011, 2012 and 2013; and Messrs. Fingerhut’s and Fish’s options vest on August 8, 2014 and February 28, 2015, respectively.

(6) Stock awarded on March 10, 2011 as a bonus for performance in 2010 and was recorded as a 2010 expense. Mr. Greene’s shares (33,333) vest in three equal installments on each of March 1, 2012, 2013 and 2014; and each of Messrs. Fingerhut’s and Fish’s shares (5,000) vests on March 1, 2014.

(7) Awarded on October 12, 2006.

(8) Awarded on October 3, 2005.

12

We maintain a 401(k) plan for our employees. We did not make any matching contributions in 2011 or 2012. We do not provide for any other retirement benefit for any of our employees, including executive officers.

Compensation of Directors

Each non-employee director receives an annual fee of $8,000, payable in equal quarterly installments, and $500 plus reimbursement for actual out-of-pocket expenses in connection with each Board meeting attended in person and $200 for each board meeting attended telephonically. The head of the Audit Committee receives an annual fee of $1,000, payable in equal quarterly installments. Each member of the Audit Committee and Compensation and Nominating Committee receives $500 for each committee meeting he attends in person and $200 for each meeting attended telephonically unless the meeting immediately precedes or follows a meeting of the Board, in which case he will receive $200 for attending in person or $100 if he attends by telephone. At the discretion of the Board, newly elected independent directors may be granted stock options pursuant to the terms of our Stock Option Plan.

To align the interests of our non-employee directors with those of our stockholders, non-employee directors are each awarded stock options exercisable for 9,000 Common Shares upon joining the Board or 10,000 Common Shares, if at such time the director is also appointed a chairman of a committee of the Board. After three-years of service on the Board, non-employee directors are entitled to an annual award of stock options exercisable for 1,000 Common Shares. As of December 31, 2012, no such annual stock option awards have been granted. All such awards are subject to adjustment at the sole discretion of the Board.

Director Compensation

The following table provides compensation information for the year ended December 31, 2012 for each of the independent members of the Board.

Name	Fees Earned In Cash	Stock Awards ($)	Total ($)
Marin H. Lager(1)	$12,800	$ -	$12,800
John Gorman(1)	$10,200	$ -	$10,200
Leonard J. Stanley(1)	$11,100	$ -	$11,100

(1) At December 31, 2012: (i) Mr. Lager held an option exercisable for up to 10,000 shares at an exercise price of $4.00 per share; (ii) Mr. Gorman held an option exercisable for up to 9,000 shares at an exercise price of $3.05 per share; and (iii) Mr. Stanley held an option exercisable for up to 9,000 shares with an exercise price of $5.94.

Limitation of Directors' Liability and Indemnification

Our certificate of incorporation limits the liability of individual directors for specified breaches of their fiduciary duty. The effect of this provision is to eliminate the liability of directors for monetary damages arising out of their failure, through negligent or grossly negligent conduct, to satisfy their duty of care, which requires them to exercise informed business judgment. The liability of directors under the federal securities laws is not affected. A director may be liable for monetary damages only if a claimant can show receipt of financial benefit to which the director is not entitled, intentional infliction of harm on us or on our stockholders, a violation of Section 174 of the Delaware General Corporation Law (dealing with unlawful distributions to stockholders effected by vote of directors), and any amended or successor provision thereto, or an intentional violation of criminal law.

Our certificate of incorporation also provides that we will indemnify each of our directors or officers, and their heirs, administrators, successors and assigns against any and all expenses, including amounts paid upon judgments, counsel fees, and amounts paid or to be paid in settlement before or after suit is commenced, actually and necessarily incurred by such persons in connection with the defense or settlement of any claim, action, suit or proceeding, in which they, or any of them are made parties, or which may be asserted against them or any of them by reason of being, or having been, directors or officers of the corporation, except in relation to such matters in which such director or officer shall be adjudged to be liable for his own negligence or misconduct in the performance of his duty.

There is no pending litigation or proceeding involving any of our directors, officers, employees or agents in which we are required or permitted to provide indemnification. We are also not aware of any threatened litigation or proceedings that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended ("Securities Act"), may be permitted to directors, officers or controlling persons under our certificate of incorporation, we have been informed that, in the opinion of the SEC, indemnification is against public policy as expressed in the Securities Act and is unenforceable.

PROPOSAL NO. 2

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

General

We are providing our stockholders with the opportunity to vote to approve, on an advisory and non-binding basis, the compensation of the Named Executive Officers as disclosed in this Proxy Statement in accordance with the Securities and Exchange Commission's rules. This proposal, which is commonly referred to as "say-on-pay," is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which added Section 14A to the Exchange Act. Section 14A of the Exchange Act also requires that stockholders have the opportunity to cast an advisory vote with respect to whether future executive compensation advisory votes will be held every one, two or three years, which is the subject of Proposal No. 3.

The Compensation and Nominating 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. We do not currently engage any consultant to advice on executive and/or director compensation matters.

As an advisory vote, this proposal is not binding. Neither the outcome of this advisory vote nor of the advisory vote included in Proposal No. 3 overrules any decision by the Company or the Board (or any committee thereof), creates or implies any change to the fiduciary duties of the Company or the Board (or any committee thereof), or creates or implies any additional fiduciary duties for the Company or the Board (or any committee thereof). However, management and the Compensation and Nominating Committee and Board value the opinions expressed by our stockholders in their vote on this proposal and will consider the outcome of the vote when making future executive compensation decisions.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE FOLLOWING ADVISORY RESOLUTION:

RESOLVED, that the compensation paid to the Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the disclosure under the compensation tables and accompanying narrative disclosure, and any related material disclosed in this Proxy Statement, is hereby approved.

The Board Unanimously Recommends a Vote FOR the Advisory Resolution above

and Proxies that are Signed and Returned Will Be So Voted

Unless Otherwise Instructed

*   *   *   *   *

PROPOSAL NO. 3

ADVISORY VOTE ON THE FREQUENCY OF FUTURE EXECUTIVE COMPENSATION ADVISORY VOTES

General

In Proposal No. 2, we are providing our stockholders the opportunity to vote to approve, on an advisory and non-binding basis, the compensation of the Named Executive Officers. In this Proposal No. 3, we are asking our stockholders to cast a non-binding advisory vote regarding the frequency of future executive compensation advisory votes. Stockholders may vote for a frequency of every one, two, or three years, or may abstain.

The Board will take into consideration the outcome of this vote in making a determination about the frequency of future executive compensation advisory votes. However, because this vote is advisory and non-binding, the Board may decide that it is in the best interests of our stockholders and SmartPros to hold the advisory vote to approve executive compensation more or less frequently, but no less frequently than once every three years, as required by the Dodd-Frank Act. In the future, we will propose an advisory vote on the frequency of the executive compensation advisory vote at least once every six calendar years as required by the Dodd-Frank Act.

After careful consideration, the Board believes that an executive compensation advisory vote should be held every three years, and therefore our Board recommends that you vote for a frequency of every THREE YEARS for future executive compensation advisory votes. The Proxy provides stockholders with the opportunity to choose among four options (holding the vote once every year, every two years or every three years, or abstaining) and, therefore, stockholders will not be voting to approve or disapprove the recommendation of the Board.

The Board Unanimously Recommends a Vote FOR the Holding of an Advisory Vote on Executive Compensation every "Three Years" and Proxies that are Signed and Returned Will Be So Voted Unless Otherwise Instructed

* * * * *

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding the beneficial ownership of our Common Shares as of the Record Date:

- **each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding Common Shares;**
- each director;
- each Named Executive Officer; and
- all of our directors and executive officers as a group.

Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all of the Common Shares owned by them. The individual stockholders have furnished all information concerning their respective beneficial ownership to us.

Name and address of beneficial owner (1)	Common Shares Beneficially Owned (2)	Percent of Common Shares Beneficially Owned (3)
Directors and Named Executive Officers		
Allen S. Greene	394,381(4)	9.3%
Jack Fingerhut	165,498(5)	3.7%
Joseph Fish	25,000(5)	*
Martin H. Lager	26,833(6)	*
John J. Gorman	59,100(7)	1.3%
Leonard J. Stanley	16,000(7)	*
All directors and executive officers as a group(8 persons)	767,373(8)	15.8%
Zohar Ben-Dov 2125 Hatchers Mill Road Marshall, Virginia 20115	638,259(9)	13.6%

*Less than 1%

(1) Unless otherwise indicated all addresses are c/o SmartPros Ltd., 12 Skyline Drive, Hawthorne, New York 10532.

(2) According to the rules and regulations of the SEC, Common Shares that a person has a right to acquire within 60 days of the date of this Proxy Statement are deemed to be beneficially owned by that person and outstanding for the purpose of computing the percentage ownership of that person, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

(3) Based on 4,680,941 Common Shares outstanding as of the Record Date.

(4)

Includes 93,333 Common Shares underlying outstanding options and 26,111 Common Shares that are subject to vesting.

(5) Includes 15,000 Common Shares underlying options and 10,000 Common Shares are subject to vesting.

(6) Includes 10,000 Common Shares underlying options, 16,833 Common Shares beneficially owned by Mr. Lager as trustee of the trust U/W/O Irwin Lager and 4,500 Common Shares that are subject to vesting.

(7) Includes 9,000 Common Shares underlying options and 4,500 Common Shares that are subject to vesting.

(8) Includes an aggregate of 161,333 Common Shares underlying outstanding options and an aggregate of 66,611 Common Shares are subject to vesting.

(9) The information with respect to this stockholder is derived from the Form 4 filed by the stockholder on January 2, 2013 with the SEC.

16

Securities Authorized for Issuance Under Equity Compensation Plans

To attract and retain the personnel necessary for our success, we adopted our 2009 Incentive Compensation Plan (the “2009 Plan”) which was approved by stockholders at the 2009 annual meeting of stockholders and replaced the 1999 Stock Option Plan.

800,000 Common Shares are authorized and available for issuance under the 2009 Plan of which a maximum of 200,000 Common Shares can be issued pursuant to awards in the form of restricted stock and restricted stock units; *provided, however*, the number of Common Shares available for new awards under the 2009 Plan are reduced by the number of shares issued on or after January 1, 2009 upon the exercise of outstanding stock options, covered by outstanding stock options and restricted stock awards granted under the 1999 Plan. Any outstanding stock options granted under the 1999 Plan that are cancelled or expire unexercised and any restricted stock awards granted under the 1999 Plan that are forfeited will increase the number of Common Shares available for new awards under the 2009 Plan up to a maximum of 800,000 Common Shares. The number of Common Shares authorized and available for issuance under the 2009 Plan is subject to adjustment in the event of a stock split, stock dividend, recapitalization, spin-off or similar action.

Awards under the 2009 Plan may take the form of stock options (either incentive stock options or non-qualified options), restricted stock, or restricted stock units. The 2009 Plan is administered by the Compensation and Nominating Committee and provides for equity awards to our employees and others who perform services for us, which would include directors and consultants. Stock options granted under this plan must be exercised within a maximum of 10 years from the date of grant at an exercise price that is not less than the fair market value of the Common Shares on the date of the grant. Options granted to stockholders owning more than 10% of our outstanding Common Shares must be exercised within five years from the date of grant and the exercise price must be at least 110% of the fair market value of the Common Shares on the date of the grant.

The following table sets forth the information about our 2009 Plan as of December 31, 2012:

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options and warrants	**Weighted average exercise price of outstanding options and warrants**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by stockholders	310,587(1)	$3.11	428,180

(1) Does not include 54,222 restricted Common Shares issued under the 2009 Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires SmartPros' officers and directors, and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To the best of our knowledge, based solely on review of the copies of such forms furnished to us, or written representations that no other forms were required, we believe that all Section 16(a) filing

17

requirements applicable to our officers, directors and greater than 10% stockholders were complied with during 2012. With respect to any former directors, officers, and 10% stockholders, we do not have any knowledge of any known failures to comply with the filing requirements of Section 16(a).

PROPOSAL NO. 4

ADVISORY APPROVAL OF THE APPOINTMENT OF INDEPENDENT AUDITORS

Holtz Rubenstein Reminick LLP has been our independent auditor since November 2004. Their audit report appears in our annual report for the fiscal year ended December 31, 2012. A representative of Holtz Rubenstein Reminick LLP will be at the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

Selection of the independent accountants is not required to be submitted to a vote of our stockholders for ratification. In addition, the Sarbanes-Oxley Act of 2002 requires the Audit Committee to be directly responsible for the appointment, compensation and oversight of the audit work of the independent auditors. The Audit Committee expects to appoint Holtz Rubenstein Reminick LLP to serve as independent auditors to conduct an audit of SmartPros' accounts for the 2013 fiscal year. However, the Board is submitting this matter to SmartPros stockholders as a matter of good corporate practice. If the stockholders fail to vote on an advisory basis in favor of the selection, the Audit Committee will take that into consideration when deciding whether to retain Holtz Rubenstein Reminick LLP, and may retain that firm or another without re-submitting the matter to the stockholders. Even if stockholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of SmartPros and the stockholders.

The Board Unanimously Recommends a Vote FOR this Proposal

and Proxies that are Signed and Returned Will Be So Voted

Unless Otherwise Instructed

*   *   *   *   *

MISCELLANEOUS

Other Matters

We know of no business that will be presented for consideration at the Annual Meeting other than that stated in the notice of meeting.

Stockholder Proposals

Stockholders interested in presenting a proposal for consideration at the annual meeting of stockholders in 2013 must follow the procedures found in Rule 14a-8 under the Exchange Act and our bylaws. To be eligible for inclusion in our 2014 proxy materials, all qualified proposals must be received by our Secretary no later than December 31, 2013. Stockholder proposals submitted thirty (30) or more, but less than sixty (60), days before the scheduled date for the 2013 annual meeting may be presented at the annual meeting if such proposal complies with our bylaws, but will not be included in our proxy materials; 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: (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) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting and, if such business includes a proposal or nomination to amend our bylaws, the language of the proposed amendment; (iii) the name and address of the stockholder making the proposal or nomination and any other stockholders known by such stockholder to be supporting such proposal; (iv) 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 proposal or nomination on the date of such stockholder's notice; and (v) any financial interest of the stockholder in such proposal or nomination.

Solicitation of Proxies

We will bear the cost of this Proxy solicitation and any additional material relating to the meeting which may be furnished to the stockholders. In addition, solicitation by telephone, telegraph or other means may be made personally, without additional compensation, by our officers, directors and regular employees. We also will request brokers, dealers, banks and voting trustees and their nominees holding shares of record but not beneficially to forward Proxy soliciting material to beneficial owners of such shares, and upon request, will reimburse them for their expenses in so doing.

Householding

The SEC's rules permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. Some brokers household proxy materials and annual reports, delivering a single proxy statement and annual report to multiple stockholders sharing an address, although each stockholder will receive a separate proxy card. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker. If you would like to receive a separate copy of this year's Proxy Statement or Annual Report from us directly, please contact us by writing to our Secretary, Karen Stolzar, at, our principal executive offices or calling her at 914-345-2620.

We will provide without charge to each person being solicited by this Proxy Statement, on the written request of any such person, a copy of our Annual Report on Form 10-K for the year ended December 31, 2012 (the "Annual Report"), including the financial statements and financial statement schedules included therein. All such requests should be directed to our Secretary, Karen Stolzar, at our principal executive offices.

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting to Be Held on Thursday, June 20, 2013:

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

19

EVERY STOCKHOLDER, WHETHER OR NOT HE OR SHE EXPECTS TO ATTEND THE ANNUAL MEETING IN PERSON, IS URGED TO EXECUTE THE PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED BUSINESS REPLY ENVELOPE.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Karen S. Stolzar
Karen S. Stolzar, Secretary

Dated: Hawthorne, New York
May 1, 2013

20

SMARTPROS LTD.

P R O X Y

FOR ANNUAL MEETING OF THE STOCKHOLDERS

To Be Held on Thursday, June 20, 2013

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Allen S. Greene and Jack Fingerhut, and each of them, with full power of substitution, as proxies to vote the shares which the undersigned is entitled to vote at the Annual Meeting of the Stockholders of SmartPros Ltd. ("SmartPros") to be held at SmartPros' headquarters at 12 Skyline Drive, Hawthorne, NY 10532, on Thursday, June 20, 2013 at 10:00 A.M. Eastern Time and at any adjournments thereof, hereby revoking any proxies heretofore given, to vote all shares of common stock of SmartPros held or owned by the undersigned as indicated on the proposals as more fully set forth in the Proxy Statement, and in their discretion upon such other matters as may come before the meeting.

(*Continued, and to be signed, on the Reverse Side*)

FOLD HERE

Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting to Be Held on Thursday, June 20, 2013:

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

PLEASE INDICATE YOUR SELECTION BY PLACING AN "X" IN THE APPROPRIATE BOXES BELOW:

1. Election of two (2) Class III Directors: Allen S. Greene and Leonard J. Stanley

FOR election of all nominees £

WITHHOLD vote from all nominees £

FOR all nominees, £

EXCEPT for nominee listed below
from whom Vote is withheld.

2. Approval of the non-binding advisory resolution relating to executive compensation.

FOR £ AGAINST £ ABSTAIN £

3. Approval of the non-binding advisory vote on the frequency of an advisory vote on executive compensation.

1 YEAR £ 2 YEARS £ 3 YEARS £ ABSTAIN £

4. Advisory approval of the appointment of Holtz Rubenstein Reminick LLP as independent auditors for SmartPros for the year ending December 31, 2013.

FOR £ AGAINST £ ABSTAIN £

THIS PROXY WHEN PROPERLY SIGNED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2 and 4 and FOR “3YEARS” ON PROPOSAL 3.

The undersigned hereby acknowledges receipt of the Notice of, and Proxy Statement for, the aforesaid Annual Meeting.

Dated: , 2013

Signature of
Stockholder

Signature of
Stockholder

NOTE: When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

IMPORTANT - PLEASE FILL IN, SIGN AND RETURN PROMPTLY USING THE ENCLOSED ENVELOPE.