

SM&A
Form DEFA14A
May 06, 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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12
SM&A

(Name of Registrant as Specified In Its Charter)

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

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3) Filing Party:

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This filing contains the following materials:

Letter to Stockholders dated May 6, 2008 from Cathy L. McCarthy, Chief Executive Officer, SM&A, filed herewith.

Letter to Stockholders dated May 6, 2008 from Dwight L. Hanger, Chairman of the Board, filed herewith.

Open Letter to SM&A Stockholders filed by SM&A on Schedule 14A and Form 8-K on May 2, 2008.

Presentation by SM&A filed on Schedule 14A and Form 8-K on May 2, 2008.

Press Release filed by SM&A on Schedule 14A and as Exhibit 99.1 to Form 8-K on April 28, 2008.

WHY YOU SHOULD VOTE AGAINST
THE MYERS SLATE

May 6, 2008

To Our Stockholders:

As you know, our annual meeting is rapidly approaching and at that meeting you will be asked to make a very important decision with respect to your Board of Directors. We are providing you today with some important information and ask that you take time to read the enclosed documents, which we feel address most, if not all, of the major issues you should take into consideration. The three documents were all filed with the SEC, and I recognize that you may already have them, but thought a color copy of the presentation would be helpful. The package includes: a press release we issued on April 28, an open letter to shareholders issued on May 2 and the presentation we used at ISS and PROXY Governance that was filed on May 2.

You may have already received information in the mail soliciting your vote from Steven Myers, SM&A's former CEO. As you may recall, Myers was forced to retire in March 2007 when your board decided not to renew his contract because a change in leadership was necessary. Accordingly, **Myers is no longer an officer or director of your company.**

Now, Myers wants you to put him back on the company's board with no long-term plan, no coherent strategy and offering stockholders nothing more than his short-term personal agenda. He is seeking to replace four highly qualified, dedicated, and independent directors with a hand-picked slate that includes Myers himself and three of his friends. We believe this self-serving de facto takeover attempt is NOT in the best interest of all shareholders and would disrupt the current Board's ongoing efforts to correct problems that started under Myers' watch.

We urge you to sign and return the WHITE card. DO NOT RETURN THE MYERS GOLD CARD.

If you have already returned Myers' gold card, you have every right to change your mind by executing the WHITE card since it is only the latest dated proxy that counts. We look forward to seeing you soon and discussing this more in person, as we are trying to get out to see all of our key shareholders and hope to fit into your schedule over the next three weeks.

Sincerely,

Cathy L. McCarthy
Chief Executive Officer

YOUR VOTE IS IMPORTANT
VOTE THE WHITE PROXY CARD TODAY

The Stockholder meeting will be on Friday, May 23, 2008 with stockholders of record as of April 9, 2008 eligible to vote.

**We urge you sign, date and return the enclosed WHITE Proxy Card today
or vote by telephone or internet.**

If you have any questions or need assistance in voting, contact

MacKenzie Partners, Inc.

Toll-Free: (800) 322-2885

winsproxy@mackenziepartners.com

Please ignore any gold proxy cards sent to you by Myers and do not sign them.

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Sincerely,

Dwight L. Hanger

Chairman of the Board

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About SM&A

SM&A is the world's foremost management consulting firm providing leadership and mentoring solutions to PLAN for business capture, WIN competitive procurements and profitably PERFORM on the projects and programs won. Our proven processes, people and tools have delivered significant top-line and bottom-line growth across markets, products and services. From the largest aerospace and defense contractors, through the major software providers, to healthcare and financial/audit service providers, SM&A is the partner many companies turn to WHEN THEY MUST WIN.

All stockholders of SM&A are advised to read the definitive proxy statement and other documents related to the solicitation of proxies by SM&A for use at the 2008 annual meeting of stockholders of SM&A. They contain important information regarding the election of directors and other matters. The definitive proxy statement and form of proxy have been mailed to stockholders of record of SM&A along with other relevant documents. They are available at no charge on the SEC's website at <http://www.sec.gov>. In addition, SM&A will provide copies of the definitive proxy statement without charge upon request.

Some statements made in this news release refer to future actions, strategies, or results that involve a number of risks and uncertainties. Any number of factors could cause actual results to differ materially from expectations, including a shift in demand for SM&A's Competition Management and Program services; fluctuations in the size, timing, and duration of client engagements; delays, cancellations, or shifts in emphasis for competitive procurement activities; declines in future defense, information technology, homeland security, new systems, and research and development expenditures, and other risk factors listed in SM&A's SEC reports, including the report on Form 10-K for the year ended December 31, 2007. Actual results may differ materially from those expressed or implied. The company does not undertake any duty to update forward-looking statements.

Open Letter to SM&A Stockholders
on Preserving Good Corporate Governance
Shareholders Urged to Re-Elect Company's Nominees

May 2, 2008

Dear Fellow Stockholders:

As you consider the upcoming May 23 shareholder vote, we thought it would be helpful to give you some perspective on the philosophy and objectives of your Board.

Our Board has an unwavering commitment to continue to enhance our governance practices and policies to ensure the best and most comprehensive stockholder representation at the Board level, and we embrace this critical objective so prevalent in corporate America today. Our stockholders rightfully demand superior representation of their interests. That includes having truly independent directors, highly qualified audit, compensation and corporate governance committees, open disclosure of policies, linking pay to performance and a myriad of other sound practices that ensure the best and most unbiased oversight and stewardship at the top.

In addition, through board education programs, we ensure that our Board members are current with the requisite best practice policies and have the experience and knowledge to provide oversight that results in sound and robust policies and processes. It is with this backdrop that we urge you to support our nominees and to reject the dissident slate. Let me be clear: We are not at all opposed to giving serious consideration to qualified candidates who have the experience, business acumen or expertise that may be able to add value to SM&A. In this case, however, we are hard pressed to identify any such attributes.

When it comes to our leadership team, we impose high standards and are demanding of each member from our fellow directors to the CEO and others down the line. We have always held them accountable for the rise and fall of the business, and will continue to do so. We expect quality performance and acceptable returns for our stockholders, and are willing to make changes when necessary and appropriate; which we have recently demonstrated. Today, unlike in the past, a modicum of business knowledge and experience, coupled with a casual association with the CEO, is grossly inadequate to fulfill the increasing demands of directors and committee chairs of public companies. We believe when you analyze the four Myers nominees, you will also conclude that they simply cannot fill the shoes of your current Board members.

The current slate of nominees your Board is recommending you re-elect not only understands the demands and requirements of stockholder representation but also has the experience and have demonstrated their commitment to insuring ALL stockholders are fully represented

Former CEO Steven Myers wants to replace them with himself and his hand-picked slate made up of Kenneth Colbaugh, Albert Nagy and Redge Bendheim. ***Let s be clear: this is a transparent, de facto takeover attempt by four friends, whose ties to each other will make them anything but independent and whose experience and track record in guiding a public company through the demands expected by our stockholders today is severely limited and unacceptable to the remaining Board members and Company leadership.***

For the last nine months our Board has worked with our new management team to address the problems of the past and at the same time build for the future. We firmly believe we have positioned the Company for revenue growth through the strategies we are implementing and believe we have a sound operating plan currently in place, which has already resulted in increasing earnings from our operations, before non-operational charges.

Much of the credit goes to four highly qualified, independent and independent-thinking directors William Bowes, Joseph Reagan, Robert Untracht and John Senbit who are all dedicated not only to the very best in corporate governance, but to tirelessly watching out for your interests as stockholders.

Since Myers and his slate are running on their record of the past, we believe it is only fair that you have a chance to evaluate them with the information below. As we have repeatedly stated, we are confident that when you review their records that you will agree that our path to the future does not involve a detour into the past.

Steven Myers

Myers would have you believe that he can do a better job managing the finances of SM&A than current management, but ask yourself how can he say that when history shows otherwise?

With one of his current nominees as chairman of the compensation committee, Myers earned annual compensation of \$1 million that was criticized by industry observers as disproportionate and excessive. According to a report by Sidoti & Co., Mr. Myers, as CEO of one of the smallest companies in our IT Services covered universe, was paid more than almost every other CEO in the group.

During the period in which he headed SM&A as a public company, Myers spent nearly \$1.1 million of shareholder money so he could travel on private jets provided by an aviation company in which he was the owner.

While Myers professes to be interested in the Company's long-term value and touts his stock holdings, he continues to dispose of shares even in a down market and at low prices. He appears to *be a short-term player who is selling, not buying.*

Myers idea of efficient cash deployment apparently includes four failed acquisitions, \$90 million in losses and a public company which was de-listed after 36 months of the initial public offering. SM&A's record during his tenure does not demonstrate effective cost management.

Myers track record clearly demonstrates a continual loss of talent and intellectual property during his leadership which has directly resulted in the development of at least five competing firms today.

Kenneth Colbaugh

Myers would have you believe Colbaugh and other members of his slate provide credibility, but ask yourself do the following facts support that contention?

As COO under Myers, Colbaugh helped take the company public in January 1998. Nine months later guidance was substantially missed, laying the groundwork for a severe plunge in the share price of SM&A's stock, which eventually traded as low as 62 cents a share a mere 36 months later.

Thirteen months after the IPO and telling SM&A's new stockholders the benefit of investing in SM&A, Colbaugh resigned and formed a competitor that raided executives from the Company. One result: a costly lawsuit SM&A filed to protect its trade secrets.

Except for his brief term on the SM&A Board, Colbaugh has not served on the board of directors of a public company and has no relevant or current experience or effective oversight.

Albert Nagy

Myers would have you believe Nagy is deserving of a seat on your Board, but ask yourself is there any benefit from a conflicted and inexperienced candidate?

Nagy served as head of the compensation committee when Myers was drawing \$1 million in compensation and spending shareholder money to travel on jets through a company he owned.

As head of the compensation committee, Nagy enjoyed lucrative consulting agreements with SM&A.

Nagy is not currently serving as a director at a publicly traded U.S. company and Myers in fact replaced him with one of the independent board members Myers wishes to unseat today. Why the change of heart?

Redge Bendheim

Myers would have you believe Bendheim has the experience to serve on your Board, but ask yourself with these qualifications, what can he do for you?

Bendheim, from reading Myers proxy materials, has no experience serving on the board of a publicly traded company and, as a retired tax partner, has no relevant or current experience in public company governance, audit requirements or Sarbanes-Oxley requirements.

There is no evidence Bendheim has the kind of audit or internal controls experience at a publicly traded company that an audit committee member requires.

**WE URGE YOU TO VOTE THE WHITE CARD TODAY AND SEND A STRONG MESSAGE TO MYERS
THAT THE SM&A
STOCKHOLDERS WILL NOT STAND FOR BOARD DETERIORATION.**

Sincerely,
/s/ Dwight Hanger

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SM&A responds to statements made by former CEO

NEWPORT BEACH, CA April 28, 2008 SM&A today said that information contained in a recent press release and in proxy solicitation documents filed with the Securities and Exchange Commission by former SM&A CEO Steven Myers contained inaccurate and/or misleading information. The press release from Myers was issued on April 24, 2008 and the presentation documents were filed with the SEC on April 23, 2008.

Dwight Hanger, the Chairman of the Board of SM&A said, It is most unfortunate that the founder of our company has decided to pursue such a destructive path. I see nothing positive that can come out of his efforts; in fact, it has already proven to be a costly and distracting exercise. Having said that, I feel that our shareholders are being misled and that we need to address several of his allegations.

In his press release and proxy materials:

Myers complains about SM&A's stock price

When Myers left the company as CEO in March 2007, SM&A's stock price had fallen nearly 78% from its peak during his tenure. The stock also was down 36% from the price it traded at three years before his retirement. After the company went public in January 1998, Myers and his then COO Kenneth Colbaugh now one of the Myers' nominees substantially missed guidance the following September, beginning a severe, downward spiral of the stock. At one point during Myers' tenure as CEO, SM&A's stock traded at 62 cents a share and was de-listed.

We believe the recent decline in stock price, although in part a reflection of the market conditions in general, is predominately due to our current slower revenue growth outlook and inconsistent EPS growth partially caused by continual charges for non-operational distractions - NOT because of poor guidance.

Myers criticizes the accuracy of forecasted revenues

We stand by our recent guidance and note that our guidance will always be based on concrete data and the best available information about our markets, current trends and opportunities. Our ability to generate revenue growth is highly dependent on the number and tenure of experienced account executives, the availability of solutions we provide to our clients and the quantity and quality of our associates who are highly skilled to deliver our solutions. It should be noted that Myers criticizes us for *exceeding* our forecasted revenue expectations, the result of exceptional hard work and dedication by our employees. Our strong Q4 revenues were delivered despite the turmoil within the company and uncertain external economic negative forces, which jointly led to our conservative guidance for the period.

Myers promises include correcting accounting methodology to remedy the negative impact of the PPI acquisition's accounting process.

With respect to PPI, there is no accounting methodology to remedy. The structure of the transaction, which presumably Myers reviewed and approved when he signed the agreement, is what drives the accounting treatment consequences we are faced with.

Myers claims that he will effectively deploy cash

In 2008 until our recent black-out period, the company aggressively repurchased stock totaling \$1 million, or 241,200 shares. The Board and management review on a continual basis investment decisions which will result in the best return on assets. The Board and management will continue to make the best use of cash based on sound analysis and the alternatives available. We currently have a buy back authorization of \$4.8 million and intend to continue to implement it pursuant to its terms as market conditions warrant.

As for Myers expertise in the effective deployment of cash, we only ask that you look to his track record of investments in a series of acquisitions that resulted in \$45 million of write-offs and aggregate losses totaling \$50 million over 2000 and 2001. The resulting shareholder erosion was immediately evident in a stock which plunged from a peak of \$32.75 three months after going public in 1998 to 62 cents just two years later.

Myers states he will reverse recent attrition of critical talent.

During the last 10 years as a public company under Myers' leadership, 16 highly respected senior executives and numerous senior level managers left SM&A; the majority of which either started or joined companies that compete directly against SM&A. Much of that was due to the pervasive lack of a sound strategic direction and investment strategy, a situation the Board moved to correct in late 2006. The recent resignations are largely due to management disruptions and the resulting impact on employee morale and job security through much of 2007. The Board believes the new reconstituted leadership team has never been more talented, dedicated to operational excellence and focused as a TEAM to deliver results for shareholders. *The Board and this leadership team have recently attracted extraordinary new talent at every level to support our strategic direction.*

Mr. Hanger continued: Myers is running on his record, so it is only fair that our stockholders have all of the facts and context to evaluate it. As I said in my previous letter to shareholders, "We invite you to review Myers' record as CEO of SM&A because, when you do, we are confident you will conclude as we have that ***our path to the future should not involve a detour into the past.***"

The credentials of your current Board speak for themselves. We have a super majority independent board comprised of professionals with extensive relevant industry expertise, financial knowledge and significant business acumen. We would put them up against Myers' nominees anytime and are confident that our stockholders will conclude that the Myers nominees offer no additional value.

I believe, after examining the facts, our shareholders will conclude as we have that it is in their best interests and the best interest of this company for them to vote for the board of directors nominated by the company.

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and development expenditures, and other risk factors listed in SM&A's SEC reports, including the report on Form 10-K for the year ended December 31, 2007. Actual results may differ materially from those expressed or implied. The company expressly does not undertake any duty to update forward-looking statements.

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