

SMITH MICRO SOFTWARE INC

Form DEF 14A

June 10, 2005

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SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(AMENDMENT NO. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive
Proxy
Statement
Confidential, for
Use of the
Commission Only
(as permitted by
Rule 14a-6(e)(2))

Definitive
Additional
Materials
Soliciting
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to §240.14a-12

Smith Micro Software, Inc.

(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):

Fee not required.

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(1) Title of each
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(4) Proposed maximum aggregate value of transaction:

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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:

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June 23, 2005

Dear Smith Micro Stockholders:

We are pleased to invite you to the Smith Micro Software, Inc. 2005 Annual Meeting of Stockholders that will be held at our corporate headquarters, located at 51 Columbia, Aliso Viejo, California 92656, on Thursday, July 28, 2005, at 10:00 a.m., Pacific Daylight Savings Time.

The expected actions to be taken at the Annual Meeting, which include the election of directors, are described in the attached Proxy Statement and Notice of Annual Meeting of Stockholders. Included with this Proxy Statement is a copy of our Annual Report on Form 10-K/A for the year ended December 31, 2004, which we encourage you to read. It includes our audited financial statements and information about our operations, markets and products.

Your vote is important. Whether or not you plan to attend the Annual Meeting, you can be sure your shares are represented at the meeting by promptly completing, signing, dating and returning the enclosed proxy card in the pre-paid envelope provided for your convenience or, if eligible, voting by Internet. If you later decide to attend the Annual Meeting and wish to change your vote, you may do so simply by voting in person at the meeting.

We look forward to seeing you at the Annual Meeting.

Sincerely,

William W. Smith, Jr.
Chairman of the Board,
President & Chief Executive Officer

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SMITH MICRO SOFTWARE, INC.

**NOTICE OF ANNUAL MEETING OF
STOCKHOLDERS
To Be Held July 28, 2005**

To the Stockholders of Smith Micro Software, Inc.:

Notice is hereby given that the 2005 Annual Meeting of Stockholders (the Annual Meeting) of Smith Micro Software, Inc. (the Company) will be held at our corporate headquarters, located at 51 Columbia, Aliso Viejo, California 92656, on Thursday, July 28, 2005, at 10:00 a.m., Pacific Daylight Savings Time, for the following purposes as more fully described in the Proxy Statement accompanying this notice:

1. To elect two (2) directors each to serve on our Board of Directors until the 2008 Annual Meeting of Stockholders or until his successor is duly elected and qualified; and
2. To approve and adopt the 2005 Stock Option / Stock Issuance Plan; and
3. To approve an amendment to the Company s certificate of incorporation to increase the number of authorized shares of Common Stock from 30,000,000 to 50,000,000 shares; and
4. To ratify the appointment of BDO Seidman, LLP as our independent registered public accounting firm for 2005; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The close of business on June 17, 2005, has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof. Only stockholders of record at such time will be so entitled to vote. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our executive offices located at 51 Columbia, Aliso Viejo, California 92656, and at the Annual Meeting.

You are cordially invited to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, you can be sure your shares are represented at the meeting by promptly voting and submitting your proxy by Internet (if your shares are registered in the name of a bank or brokerage firm and you are eligible to vote your shares in such a manner) or by completing, signing, dating and returning the enclosed proxy card in the pre-paid envelope provided for your convenience. Should you receive more than one proxy because your shares are registered in different names and addresses, each proxy should be signed and returned to assure that all your shares will be voted. You may revoke your proxy at any time prior to the Annual Meeting. If you submit your proxy and then decide to attend the Annual Meeting and vote by ballot, your proxy will be revoked and only your vote at the Annual Meeting will be counted.

A majority of the outstanding shares of Common Stock entitled to vote must be represented at the Annual Meeting in order to constitute a quorum. Please return your proxy card in order to ensure that a quorum is obtained.

By Order of the Board of Directors,
ROBERT W. SCHEUSSLER

Secretary
Aliso Viejo, California
June 23, 2005

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. PLEASE READ THE ATTACHED PROXY STATEMENT CAREFULLY AND SUBMIT YOUR PROXY BY INTERNET IF ELIGIBLE OR BY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURNING IT IN THE ENCLOSED ENVELOPE.

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SMITH MICRO SOFTWARE, INC.

51 Columbia
Aliso Viejo, California 92656

**PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD JULY 28, 2005**

General

This Proxy Statement and the enclosed proxy card are furnished in connection with the 2005 Annual Meeting of Stockholders (the Annual Meeting) of Smith Micro Software, Inc. (Smith Micro, the Company, we, our or us) will be held at our corporate headquarters located at 51 Columbia, Aliso Viejo, California 92656, on Thursday, July 28, 2005, at 10:00 a.m., Pacific Daylight Savings Time. Stockholders of record at the close of business on June 17, 2005, the record date, are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. This Proxy Statement, the enclosed proxy card and the Smith Micro Annual Report on Form 10-K/A for the fiscal year ended December 31, 2004 (the Annual Report), were first mailed on or about June 23, 2005, to stockholders of record as of the record date.

Purpose of the Meeting

The specific proposals to be considered and acted upon at the Annual Meeting are summarized in the accompanying Notice and are described in more detail in this Proxy Statement. We are not aware of any matter to be presented other than those described in this Proxy Statement.

Voting

Our outstanding common stock, par value \$0.001 per share (the Common Stock) is the only class of securities entitled to vote at the Annual Meeting. Common stockholders of record on June 17, 2005, the record date, are entitled to notice of and to vote at the Annual Meeting. As of the record date, there were approximately 21,591,660 shares of Common Stock outstanding and approximately 175 holders of record according to information provided by our transfer agent. Each share of Common Stock is entitled to one vote. Stockholders may not cumulate votes in the election of directors. A majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting will constitute a quorum.

All votes will be tabulated by our inspector of elections for the Annual Meeting who will separately tabulate affirmative and negative votes, abstentions and broker non-votes (*i.e.*, shares held by a broker or other nominee having discretionary power to vote on some matters but not others). Abstentions and broker non-votes are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions will be counted towards the tabulations of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. In the election of directors, the nominee receiving the highest number of affirmative votes shall be elected; broker non-votes and votes marked withhold will not affect the outcome of the election. Each of proposals II, III and IV requires the affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote. Broker non-votes will not be counted for purposes of determining whether such proposals have been approved.

Proxies

Properly executed proxies will be voted in the manner specified therein. If no direction is made on the proxies, such proxies will be voted **FOR** the election of the nominees named under the caption Election of Directors as our directors, **FOR** approval of the 2005 Stock Option / Stock Issuance Plan, **FOR** approval of the increase in authorized capitalization, and **FOR** the ratification of the selection of BDO Seidman, LLP as our

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independent registered public accounting firm for the 2005 fiscal year. You may revoke or change your proxy at anytime before the Annual Meeting by filing with the corporate Secretary at our principal executive offices at 51 Columbia, Aliso Viejo, California 92656, a notice of revocation or another signed Proxy with a later date. You may also revoke your proxy by attending the Annual Meeting and voting in person. Your attendance at the Annual Meeting does not, by itself constitute a revocation of your proxy. Please note that if your shares are held of record by a broker, bank or other nominee, you will not be able to vote in person at the Annual Meeting unless you have obtained and present a proxy issued in your name from the record holder.

Voting Electronically via the Internet

If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares electronically over the Internet. A large number of banks and brokerage firms provide eligible stockholders who receive a paper copy of the Annual Report and Proxy Statement the opportunity to vote in this manner. If your bank or brokerage firm allows for this, your voting form will provide instructions for such alternative method of voting. If your voting form does not reference Internet information, please complete and return the paper Proxy in the self-addressed, postage prepaid envelope provided.

Solicitation

The enclosed proxy is being solicited by our Board of Directors, and Smith Micro will bear the entire cost of solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement, the proxy card and any additional solicitation materials furnished to the stockholders. Copies of solicitation materials will be furnished to brokerage houses, fiduciaries and custodians holding shares in their names that are beneficially owned by others so that they may forward solicitation material to such beneficial owners. We may reimburse such persons for their costs in forwarding the solicitation materials to such beneficial owners. In addition, the original solicitation of proxies by mail may be supplemented by a solicitation by Internet or other means by our directors, officers or employees. No additional compensation will be paid to these individuals for any such services, although we may reimburse reasonable out-of-pocket expenses. Except as described above, we do not presently intend to solicit proxies other than by mail.

Deadline for Receipt of Stockholder Proposals

Stockholders may present proposals for action at a future meeting only if they comply with the requirements of the proxy rules established by the Securities and Exchange Commission (SEC) and our Bylaws. Stockholder proposals that are intended to be presented at our 2006 Annual Meeting of Stockholders (the 2006 Annual Meeting) and included in the proxy solicitation materials related to that meeting must be received by us no later than February 23, 2006, which is 120 calendar days prior to the anniversary date of the mailing of this Proxy Statement. Stockholders are also advised to review our Bylaws which contain additional advance notice requirements, including requirements with respect to advance notice of stockholder proposals and director nominations. Under our current Bylaws, the deadline for submitting a stockholder proposal is not less than 30 days and no more than 90 days prior to the date of the Annual Meeting and the deadline for submitting a nomination for a director is not less than 60 days prior to the date of the Annual Meeting. Stockholder proposals must be in writing and should be addressed to the corporate Secretary at our principal executive offices located at 51 Columbia, Aliso Viejo, California 92656.

In addition, the proxy solicited by the Board of Directors for the 2006 Annual Meeting will confer discretionary authority to vote on any stockholder proposal presented at that meeting, unless we receive notice of such proposal not later than May 9, 2006, which is 45 calendar days prior to the anniversary date of the mailing of this Proxy Statement. It is recommended that stockholders submitting proposals direct them to our corporate Secretary and utilize certified mail, return receipt requested in order to provide proof of timely receipt. The Chairman of the Annual Meeting

reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements, including conditions set forth in our Bylaws and conditions established by the Securities and Exchange Commission.

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We have not been notified by any stockholder of his or her intent to present a stockholder proposal from the floor at this year's Annual Meeting. The enclosed proxy grants the proxy holders discretionary authority to vote on any matter properly brought before the Annual Meeting.

Table of Contents**MATTERS TO BE CONSIDERED AT ANNUAL MEETING****PROPOSAL I:****ELECTION OF DIRECTORS**

Our Amended and Restated Certificate of Incorporation and Bylaws provide for our Board of Directors to be divided into three classes, as nearly equal in number as is reasonably possible, serving staggered terms that expire in different years. At each annual meeting of stockholders, the successors to the class of directors whose term expires are elected to hold office for a term of three years. The term of one class of directors expires at each annual meeting. The preceding notwithstanding, directors serve until their successors have been duly elected and qualified or until they earlier resign, become disqualified or disabled, or are otherwise removed.

Our Board currently has six directors: Thomas G. Campbell, Samuel Gulko, William C. Keiper, Robert W. Scheussler, William W. Smith, Jr. and Gregory J. Szabo. The class whose term expires at this Annual Meeting contains two directors. The Nominating Committee of the Board of Directors selected, and the Board of Directors approved, Mr. Keiper and Mr. Smith as nominees for election at the Annual Meeting to the class being elected at this meeting. The enclosed proxy will be voted, unless authority is withheld or the proxy is revoked, **FOR** the election of each nominee for election named below to hold office until the date of our 2008 Annual Meeting or until his successor has been duly elected and qualified or until he earlier resigns, becomes disqualified or disabled, or is otherwise removed. Each returned proxy cannot be voted for a greater number of persons than the nominees named on the proxy. In the unanticipated event that a nominee becomes unable or declines to serve at the time of the Annual Meeting, the proxies will be voted for a substitute person selected by the Nominating Committee of the Board of Directors and approved by the Board of Directors. Each nominee for election has agreed to serve if elected, and management has no reason to believe that such nominee will be unavailable to serve.

Stockholders may communicate with members of the Board of Directors by mail addressed to the full Board, a specific member of the Board or to a particular committee of the Board at our principal executive offices located at 51 Columbia, Aliso Viejo, California 92656.

Directors and Nominees**Nominees for Directors for Term Ending at the 2008 Annual Meeting of Stockholders:**

Name	Age	Position
William W. Smith, Jr.	57	Chairman of the Board, President and Chief Executive Officer
<u>William C. Keiper (1)(2)(3)</u>	54	Director

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Governance and Nominating Committee.

Mr. Smith co-founded Smith Micro and has served as our Chairman of the Board of Directors, President and Chief Executive Officer since its inception in 1982. Mr. Smith was employed by Rockwell International Corporation in a variety of technical and management positions from 1975 to 1984. Mr. Smith served with Xerox Data Systems from 1972 to 1975 and RCA Computer Systems Division from 1969 to 1972 in mainframe sales and pre-sale technical roles. Mr. Smith received a B.A. in Business Administration from Grove City College.

Mr. Keiper became a director in May 2002. Mr. Keiper currently serves as Chief Executive Officer of Arrange Technology LLC, a software development services outsourcing company. He also currently serves as

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Chairman and Interim President and Chief Executive Officer of Hypercom Corporation (NYSE: HYC). From 1997 to 2002, Mr. Keiper was a principal in the mergers and acquisitions business, serving software, middle market IT services, consulting and e-commerce companies. Mr. Keiper was the Chief Executive Officer and a member of the Board of Directors of Artisoft, Inc., a publicly-held software company that develops and markets computer telephony and communications software, from 1993 to 1997. From 1986 to 1993, Mr. Keiper held variety of executive positions, including President and Chief Operating Officer, with MicroAge, Inc., a publicly-held distributor and integrator of information technology products and services. Mr. Keiper currently serves on the Boards of Directors of several high technology companies, including JDA Software Group, Inc. (NASDAQ: JDAS) an enterprise software company that provides solutions for the retail industry; Hypercom Corporation (NYSE: HYC), a company providing electronic payment transfer technology and solutions; and Zones, Inc. (NASDAQ: ZONS), a marketer and distributor of IT products and services. Mr. Keiper received a B.S. in Business from Eastern Illinois University, a J.D. from Arizona State University and an M.B.A. in International Management from the Thunderbird American Graduate School of International Management.

Continuing Directors for Term Ending at the 2006 Annual Meeting of Stockholders:

Name	Age	Position
Thomas G. Campbell (1)(2)(3)	54	Director
Robert W. Scheussler	58	Senior Vice President, Chief Operating Officer, Chief Financial Officer and Director

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Governance and Nominating Committee.

Mr. Campbell became a director in July 1995. From March 1999 to the present, he has served as the Executive Vice President of King Printing, Inc. From July 1996 to March 1999, he was the Vice President, Operations of Complete Concepts, Ltd., a manufacturer and distributor of women's accessories. From November 1995 to July 1996, Mr. Campbell was an independent management consultant specializing in corporate turnarounds. From February 1995 to November 1995, he served as the Chief Operating Officer of Laser Atlanta Optics, Inc. From 1990 to February 1995, he served in several senior management positions at Hayes, Inc., including Vice President of Operations and Business Development, and as Chief Operating Officer and a member of the Board of Directors of Practical Peripherals, a Hayes subsidiary. Prior to 1989, Mr. Campbell was employed by Digital Equipment Corporation. Mr. Campbell attended Boston University.

Mr. Scheussler joined us in May 1995 and has served as our Chief Operating Officer since September 1999 and as our Chief Financial Officer since June 2001. Mr. Scheussler served as Senior Vice President, Engineering and Chief Technical Officer from May 1995 until September 1999. From May 1995 to April 1997, he was also Vice President of Operations. From February 1996 to the present, Mr. Scheussler has been a member of our Board of Directors. Prior to joining us, from June 1973 to May 1995, Mr. Scheussler held positions with Rockwell International Corporation, most recently as the Director-Architecture and Technology at its Information Systems Center. Mr. Scheussler holds a B.S. in Industrial Engineering from Pennsylvania State University and an M.S. in Operations Research from Polytechnic University in New York. He also completed the Executive Program at Stanford University.

Continuing Directors for Term Ending at the 2007 Annual Meeting of Stockholders:

Name	Age	Position
Samuel Gulko (1)	73	Director
Gregory J. Szabo (1)	57	Director
<hr/>		
(1) Member of the Audit Committee.	5	

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Mr. Gulko became a member of the board of directors in October of 2004. Prior to joining the board, Mr. Gulko served as a partner in the audit practice of Ernst & Young from 1968 until his retirement in 1987. From April 1987 to 1996, Mr. Gulko was self employed as a Certified Public Accountant and business consultant, as well as the part time Chief Financial Officer of several privately-owned companies. From July 1996 until his retirement in September 2002, Mr. Gulko functioned as the Chief Financial Officer, and as the Vice President of Finance, Secretary and Treasurer of a biotechnology company, Neotherapeutics, Inc. During this same period he also served as a member of the Board of Directors of Neotherapeutics, Inc. Since September 2002, Mr. Gulko has continued to provide tax and consulting services on a part-time basis to a limited number of clients. Mr. Gulko obtained his B.S. in Accounting from the University of Southern California in 1958.

Mr. Szabo became a director in June 2001. Mr. Szabo is the former Chief Executive Officer and currently serves as Chairman of the Board of Ertek Solutions, LLC. Ertek provides antenna technology to the wireless industry including high performance low cost RFID Tag antennas. He also currently serves on the United Internet Technologies Board of Advisors. Mr. Szabo has served in a series of senior management positions during a 13-year career with AirTouch's wireless communications operations, prior to its acquisition by Vodafone and merger with Verizon Wireless in 2000. As Vice President-Network Services, he directed the engineering and operations of its cellular systems in the eastern U.S. Earlier, Mr. Szabo held managerial positions with Motorola and Martin Marietta. Mr. Szabo received a B.S. and an M.S. in Electrical Engineering from Ohio University.

Board Independence

The Board of Directors has determined that Messrs. Campbell, Gulko, Keiper and Szabo are independent within the meaning of the listing standards of the Nasdaq Stock Market, as currently in effect.

Board Meetings and Committees

Our Board of Directors held four meetings and acted by written consent on three separate occasions during 2004. Each director attended or participated in 75% or more of the aggregate number of meetings of the Board and of meetings of the committees of the Board on which such director served.

Although we do not have a formal policy regarding attendance by members of the Board of Directors at our annual meetings of stockholders, directors are encouraged to attend our annual meetings. Two of our current directors attended our annual meeting of stockholders in 2004.

The Board of Directors has three committees: an Audit Committee, a Compensation Committee, and a Governance and Nominating Committee. Each of these committees has adopted a written charter. All members of the committees are appointed by the Board of Directors and are non-employee directors and independent within the meaning of the Nasdaq listing standards.

Audit Committee. Our Audit Committee is comprised of three members: Messrs. Campbell, Gulko and Szabo. The Board of Directors has determined that all of these members of the Audit Committee are independent within the meaning of the Nasdaq listing standards and also within the meaning of Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and that each member can read and has an understanding of fundamental financial statements. The Audit Committee reviews our financial statements and accounting practices, makes recommendations to the Board of Directors regarding the selection of our independent registered public accounting firm and reviews the results and scope of our annual audit and other services provided by our independent registered public accounting firm. The Audit Committee also is responsible for establishing, and has established, procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by our employees of concerns regarding questionable

accounting or auditing matters. In addition, all related party transactions are reviewed and approved by the Audit Committee. The Board of Directors has adopted and approved an amended and restated written charter for its Audit Committee, a copy of which was included as an appendix to our definitive proxy statement for the May 2004 Annual Meeting filed with the SEC on or about April 5, 2004. A copy of this charter

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also is posted on our web site at <http://www.smithmicro.com> under the Investor Relations section. The inclusion of our web site address in this proxy does not include or incorporate by reference the information on our web site into this proxy or our Annual Report on Form 10-K/A. The Audit Committee held four meetings during 2004. Mr. Gulko is the Audit Committee Chairman and has been designated by the Board of Directors as the Audit Committee's financial expert, as that term is described in Item 401(h) of Regulation S-K promulgated by the SEC. Stockholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Gulko's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose on Mr. Gulko any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee and the Board, and his designation as an Audit Committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or Board. The Audit Committee Report is included herein at page 33.

Compensation Committee. The Compensation Committee is comprised of two members: Messrs. Campbell and Keiper. The Board of Directors has determined that all the members of the Compensation Committee are independent within the meaning of the Nasdaq listing standards. The Compensation Committee administers our executive compensation programs and makes recommendations to the Board of Directors concerning officer and director compensation. The Compensation Committee also has the authority to administer the Smith Micro 1995 Stock Option/Stock Issuance Plan (the 1995 Plan) and to award stock options and direct stock issuances under that plan to our officers. If the Smith Micro 2005 Stock Option/Stock Issuance Plan is approved at the Annual Meeting, the Compensation Committee will have the authority to administer that plan and to award stock options and direct stock issuances under that plan to our officers. The Board of Directors has adopted and approved a written charter for the Compensation Committee. A copy of this charter is posted on our web site at <http://www.smithmicro.com> under the Investor Relations section. The inclusion of our web site address in this proxy does not include or incorporate by reference the information on our web site into this proxy or our Annual Report on Form 10-K/A. The Compensation Committee held four meetings during 2004. The Compensation Committee Report is included herein at page 31.

Governance and Nominating Committee. The Governance and Nominating Committee is comprised of two members: Messrs. Keiper and Campbell. The Board of Directors has determined that all the members of the Nominating Committee are independent within the meaning of the Nasdaq listing standards. The Nominating Committee receives proposed nominations to the Board of Directors, reviews the eligibility of each proposed nominee, and nominates, with the approval of the Board of Directors, new members of the Board of Directors to be submitted to the stockholders for election at each annual meeting. The Board of Directors has adopted and approved a written charter for the Nominating Committee, a copy of which was included as an appendix to our definitive proxy statement for the May 2004 Annual Meeting filed with the SEC on or about April 5, 2004. A copy of this charter also is posted on our web site at <http://www.smithmicro.com> under the Investor Relations section. The inclusion of our web site address in this proxy does not include or incorporate by reference the information on our web site into this proxy or our Annual Report on Form 10-K/A. The Nominating Committee held one meeting in 2004.

When considering a potential candidate for membership on our Board of Directors, our Nominating Committee considers relevant business and industry experience and demonstrated character and judgment. There are no differences in the manner in which the Nominating Committee evaluates a candidate that is recommended for nomination for membership on our Board of Directors by a stockholder. The Nominating Committee has not received any recommended nominations from any of our stockholders in connection with this Annual Meeting. Each of the current nominees for this Annual Meeting is standing for re-election.

The Nominating Committee will consider stockholder nominations for directors submitted in accordance with the procedure set forth in Article II, Section 12 of our Bylaws. The procedure provides that a notice relating to the nomination must be timely given in writing to our corporate Secretary prior to the meeting. To be timely, the notice must be delivered within the time permitted for submission of a stockholder proposal as described herein under

Deadline for Receipt of Stockholder Proposals. Such notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (i) the name, age, business address and residence address of each such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of Smith Micro Common Stock that are beneficially owned by such person and (iv) any other

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information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under 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); and (b) as to the stockholder giving the notice (i) the name and address of such stockholder as they appear on our books and (ii) the class and number of shares of Smith Micro Common Stock that are beneficially owned by such stockholder.

Code of Ethics

We have adopted a Code of Ethics for all of our employees, executive officers and directors. We will provide a copy of the Code of Ethics upon request made by email to investor-relations@smithmicro.com or in writing to Smith Micro Software, Inc. at 51 Columbia, Aliso Viejo, California 92656, Attention: Investor Relations. The full text of our Code of Ethics is posted on our web site at <http://www.smithmicro.com> under the Investor Relations section. We intend to disclose any amendment to the Code of Ethics or waiver of a provision of the Code of Ethics applicable to our executive officers or directors, including the name of the executive officer or director to whom the amendment applies or for whom the waiver was granted, at the same location on our website identified above. The inclusion of our web site address in this proxy does not include or incorporate by reference the information on our web site into this proxy or our Annual Report on Form 10-K/A.

Compensation of Directors

Non-employee members of the Board of Directors receive fees of \$2,500 quarterly for Board and committee service, and are reimbursed for their out-of-pocket expenses in connection with service on the Board of Directors. Non-employee members of the Board of Directors will be eligible to receive periodic option grants pursuant to the Automatic Option Grant Program in effect under the 2005 Stock Option / Stock Issuance Plan and will be eligible to receive discretionary awards under the Plan's Discretionary Option Grant and Stock Issuance Programs, if such Plan is approved and adopted by Stockholders.

Each non-employee director will receive an option grant for 10,000 shares in connection with his or her initial appointment to the Board of Directors. Each such option will have an exercise price per share equal to the closing sale price per share of Common Stock on the grant date and a maximum term of 10 years measured from the grant date. Each option will be immediately exercisable for all the option shares, but any shares purchased under the option will be subject to repurchase by us, at the option exercise price paid per share, in the event the optionee ceases to serve as a member of the Board of Directors prior to vesting in the option shares. The option shares will vest in a series of four successive equal annual installments over the optionee's period of service on the Board of Directors, with the first installment to vest upon his or her completion of one year of serving as a member of the Board of Directors measured from the grant date. The option shares will immediately vest in full upon certain changes in control or ownership or upon the optionee's death or disability while still serving as a member of the Board of Directors. On October 15, 2004, in connection with his election to the Board of Directors, Mr. Gulko received option grants of 10,000 shares at an exercise price of \$3.79 per share, the fair market value per share of Common Stock on the date of grant.

At each Annual Meeting of Stockholders, each individual who will continue to serve as a non-employee member of the Board of Directors will receive an additional option grant for 5,000 shares, provided such individual has served on the Board of Directors for at least six months. Each option will have an exercise price per share equal to the closing sale price per share of Common Stock on the date of the Annual Meeting and a maximum term of 10 years measured from such date, subject to earlier termination upon the optionee's cessation of service on the Board of Directors. The option will be immediately exercisable for all the option shares, but any shares purchased under the option will be subject to repurchase by us, at the option exercise price paid per share, should the optionee stop serving as a member of the Board of Directors prior to the completion of one year of service measured from the grant date. On July 2, 2004, in

connection with continuing service on the Board of Directors, each of Messrs. Campbell, Keiper and Szabo received option grants of 5,000 shares at an exercise price of \$1.91 per share, the fair market value per share of Common Stock on the date of grant.

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Vote Required

The affirmative vote of the holders of a plurality of the outstanding shares of Common Stock present or represented at the Annual Meeting and entitled to vote is required for approval of the election of the nominee as a member of our Board of Directors.

The Board of Directors recommends a vote FOR the nominees named above or their substitutes as set forth herein.

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Proposal II

APPROVAL OF THE 2005 STOCK OPTION/STOCK ISSUANCE PLAN

In February 2005, the Board of Directors adopted the 2005 Stock Option / Stock Issuance Plan (the 2005 Plan), subject to stockholder approval. If approved by the stockholders at the annual meeting, the 2005 Plan will become effective on July 28, 2005, and will replace the 1995 Stock Option / Stock Issuance Plan which expired on May 24, 2005. When the 2005 Plan becomes effective all outstanding options under the 1995 Plan will remain outstanding, but no further grants will be made under that Plan. This proposal will not affect option already granted under the 1995 Plan. As of April 30, 2005, there were options outstanding under the 1995 Stock Option / Stock Issuance Plan to purchase 1,820,838 shares of common stock.

Under applicable Nasdaq Stock Market rules, the company is required to obtain stockholder approval of the 2005 Plan. Such approval is also necessary to permit the company to grant incentive stock options to employees under Section 422 of the Internal Revenue Code, as amended, and to ensure that compensation paid under the Plan is eligible for an exemption from the limits on tax deductibility imposed by Section 162(m) of the Code, which limits the deductibility of certain compensation paid to individuals who are, at the end of the tax year for which the Company would otherwise claim its tax deduction, the Company s chief executive officer and its four other mot highly paid executive officers.

The purpose of the 2005 Plan is to promote the interests of the Company and its stockholders by providing officers and other employees of the company with appropriate incentives and rewards to encourage them to enter into and remain in their positions with the company and to acquire a proprietary interest in the long term success of the company, thereby aligning their interests with more closely with the interests of the company s stockholders.

The following summary of the material terms of the 2005 Plan does not purport to be a complete description of all the provisions of the Plan, and is qualified in its entirety by the terms of the 2005 Plan, a copy of which is attached as Appendix A hereto.

Equity Incentive Programs

The 2005 Plan contains three separate equity incentive programs: (i) a Discretionary Option Grant Program, (ii) a Stock Issuance Program, and (iii) an Automatic Option Grant Program. The principal features of each program are described below. The Compensation Committee of the Board (the Committee) will administer the provisions of the 2005 Plan (other than the Automatic Option Grant Program), and will have complete discretion (subject to the provisions of the 2005 Plan) to authorize option grants and direct stock issuances under the 2005 Plan within the scope of its administrative jurisdiction. However, all grants under the Automatic Option Grant Program will be made in strict compliance with the provisions of that program, and no administrative discretion will be exercised by the Compensation Committee with respect to the grants made under such program.

Share Reserve

The maximum number of shares of the Company s Common Stock available for issuance over the term of the 2005 Plan may not exceed 5,000,000 shares, plus that number of additional shares equal to 2.5% of the number of shares of Common Stock outstanding on the last trading day of the calendar year commencing with calendar year 2006 (but not in excess of 750,000 shares). In no event may any individual participant in the 2005 Plan be granted stock options and direct stock issuances for more than 400,000 shares in the aggregate per calendar year. Stockholder approval of this Proposal will also constitute approval of such limitation for purposes of Internal Revenue Code Section 162(m).

The shares of Common Stock issuable under the 2005 Plan may be drawn from shares of the Company's authorized but unissued Common Stock or from shares of Common Stock reacquired by the Company, including shares repurchased on the open market.

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Shares subject to any outstanding options under the 2005 Plan which expire or otherwise terminate prior to exercise will be available for subsequent issuance. Unvested shares issued under the 2005 Plan and subsequently repurchased by the Company, at the option exercise or direct issue price paid per share, pursuant to the Company's repurchase rights under the 2005 Plan will also be available for reissuance.

Eligibility

Employees, non-employee Board members, and independent consultants and advisors in the service of the Company will be eligible to participate in the Discretionary Option Grant and Stock Issuance Programs. Non-employee members of the Board will also be eligible to participate in the Automatic Option Grant Program.

As of April 30, 2005, 7 executive officers, 4 non-employee Board members and approximately 45 other employees and consultants were eligible to participate in the Discretionary Option Grant and Stock Issuance Programs, and 4 non-employee Board members were eligible to participate in the Automatic Option Grant Program.

Valuation

The fair market value per share of Common Stock on any relevant date under the 2005 Plan will be the closing selling price per share on that date on the Nasdaq Stock Market. On April 30, 2005, the closing price of the Company's Common Stock was \$3.96 per share.

Discretionary Option Grant Program

The options granted under the Discretionary Option Grant Program may be either incentive stock options under the federal tax laws or non-statutory options. Each granted incentive stock option will have an exercise price per share not less than one hundred percent (100%) of the fair market value per share of Common Stock on the option grant date and each granted non-statutory option will have an exercise price per share of not less than the fair market value per share of Common Stock on the option grant date.

Upon cessation of service, the optionee will have a limited period of time in which to exercise any outstanding option to the extent exercisable for vested shares. The Plan Administrator will have complete discretion to extend the period following the optionee's cessation of service during which his or her outstanding options may be exercised and/or to accelerate the exercisability or vesting of such options in whole or in part. Such discretion may be exercised at any time while the options remain outstanding, whether before or after the optionee's actual cessation of service.

No incentive stock option may be granted to an employee who owns at the time of the grant stock representing more than 10% of the total combined voting power of all classes of stock of the Company or its subsidiaries (a "10% Stockholder") unless the exercise price for each share of Common Stock subject to such incentive stock option is at least 110% of the fair market value per share of the Common Stock on the date of grant and such incentive stock option award is not exercisable more than five years after its date of grant. In addition, if the total fair market value of shares of Common Stock subject to incentive stock options which are exercisable for the first time by an employee in a given calendar year exceeds \$100,000, valued as of the grant date of the incentive stock option, the Options for shares of Common Stock in excess of \$100,000 for that year will be treated as non-statutory options.

Non-qualified options may be transferred to one or more members of the family of the option holder or to a trust established exclusively for such family members.

Stock Issuance Program

Shares may be issued under the Stock Issuance Program for such valid consideration under the Delaware General Corporation Law as the Compensation Committee deems appropriate, provided the value of such

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consideration is not less than the fair market value of the issued shares on the date of issuance. Shares may also be issued as a bonus for past services.

The shares issued as a bonus for past services will be fully vested upon issuance. All other shares issued under the program will be subject to a vesting schedule tied to the performance of service or the attainment of performance goals. The following requirements will govern the applicable vesting schedule:

For any shares which are to vest solely through the participant's performance of services, the Compensation Committee will impose a minimum service period of at least two (2) years before any of the shares will vest.

For any shares which are to vest upon the participant's performance of services and the Company's attainment of one or more prescribed performance milestones, the Compensation Committee will impose a minimum service period of at least one (1) year.

The Compensation Committee will have the sole and exclusive authority, exercisable upon a participant's termination of service, to vest any or all unvested shares of Common Stock at the time held by that participant, to the extent the Compensation Committee determines that such vesting provides an appropriate severance benefit under the circumstances.

Automatic Option Grant Program

Under the Automatic Option Grant Program, each individual will receive, at the time he or she first becomes a non-employee Board member, whether through election by the stockholders or appointment by the Board, an option grant for 10,000 shares of Common Stock, provided such individual was not previously in the Company's employ. In addition, at each annual stockholders meeting, including the 2005 Annual Meeting, each individual who is reelected to the Board as a non-employee Board member will automatically be granted a stock option to purchase 5,000 shares of Common Stock, provided such individual has served as a non-employee Board member for at least six months. There will be no limit on the number of such annual grants which any one non-employee Board member may receive over his or her period of Board service, and non-employee Board members who have previously served in the Company's employ will be fully eligible for one or more annual grants over their period of Board service.

Each option under the Automatic Option Grant Program will have an exercise price per share equal to one hundred percent (100%) of the fair market value per share of Common Stock on the option grant date and a maximum term of ten (10) years measured from such grant date. The option will be immediately exercisable for all the option shares, but any purchased shares will be subject to repurchase by the Company, at the exercise price paid per share, upon the optionee's cessation of Board service prior to vesting in those shares. The shares subject to each option will vest (and the Company's repurchase rights will lapse) in four (4) successive equal annual installments over the optionee's period of Board service, with the first such installment to vest upon the completion of one (1) year of Board service measured from the option grant date. The shares of Common Stock subject to each annual option grant will vest upon optionee's completion of one (1) year of Board service measured from the option grant date.

The shares subject to each outstanding automatic option grant will immediately vest should the optionee die or become permanently disabled while a Board member or should any of the following events occur while the optionee continues in Board service: (i) an acquisition of the Company by merger or asset sale, (ii) the successful completion of a tender offer for more than fifty percent (50%) of the outstanding voting securities or (iii) a change in the majority of the Board occasioned by one or more contested elections for Board membership. Each automatic option grant held by an optionee upon his or her termination of Board service will remain exercisable, for any or all of the option shares in which the optionee is vested at the time of such termination, for up to a twelve (12)-month period following such termination date.

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New Plan Benefits

The Company cannot currently determine the exact number of options to be granted in the future under the Plan to its Named Executive Officers (as such term is defined below under the caption "Executive Compensation and Related Information"), to all executive officers as a group, or to all employees as a group. See "EXECUTIVE COMPENSATION - Option Grants in Last Fiscal Year" for the number of stock options granted to the Named Executive Officers during the fiscal year ended December 31, 2004.

In light of the scheduled expiration of the 1995 Stock Option / Stock Issuance Plan and the fact that automatic stock option grants are scheduled to be made to the Company's non-employee directors following the Annual Meeting, the Company anticipates that each of its non-employee directors will receive an automatic stock option grant for 5,000 shares of Common Stock under the 2005 Plan, consistent with the terms of the Automatic Option Grant Program described above and subject to approval of the 2005 Plan by the stockholders at the Annual Meeting. The Company, however, does not have any specific current plans or commitments for awards under the 2005 Plan.

Acceleration

In the event that the Company is acquired by merger or asset sale, each outstanding option under the Discretionary Option Grant Program which is not to be assumed or replaced by the successor corporation will automatically accelerate in full, and all unvested shares under the Stock Issuance Program will immediately vest, except to the extent the Company's repurchase rights with respect to those shares are transferred to the successor corporation. The Compensation Committee will have complete discretion to grant one or more options under the Discretionary Option Grant Program which will become fully exercisable for all option shares in the event those options are assumed in the acquisition and the optionee's service with the Company or the acquiring entity is involuntarily terminated within a designated period following such acquisition. The Compensation Committee will have similar discretion to grant options that will become fully exercisable for all the option shares should the optionee's service terminate, whether involuntarily or through a resignation for good reason, within a designated period following a change in control of the Company (whether by successful tender offer for more than fifty percent (50%) of the outstanding voting stock or by proxy contest for the election of Board members). The Compensation Committee may also provide for the automatic vesting of any outstanding shares under the Stock Issuance Program upon similar terms and conditions.

Each option outstanding under the Automatic Option Program will also automatically accelerate in the event of an acquisition or change in control of the Company.

The acceleration of vesting in the event of a change in the ownership or control of the Company may be seen as an anti-takeover provision and may have the effect of discouraging a merger proposal, a takeover attempt or other efforts to gain control of the Company.

Changes in Capitalization

In the event any change is made to the outstanding shares of Common Stock by reason of any recapitalization, stock dividend, stock split, combination of shares, exchange of shares or other change in corporate structure effected without the Company's receipt of consideration, appropriate adjustments will be made to (i) the maximum number and/or class of securities issuable under the 2005 Plan, (ii) the number and/or class of securities for which any one person may be granted stock options and direct stock issuances under the 2005 Plan per calendar year, (iii) the number and/or class of securities for which grants are subsequently to be made under the Automatic Option Grant Program to new and continuing non-employee Board members and (iv) the number and/or class of securities and the exercise price per share in effect under each outstanding option in order to prevent the dilution or enlargement of benefits thereunder.

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Amendment and Termination

The Board may amend or modify the 2005 Plan in any or all respects whatsoever, subject to any required stockholder approval under applicable law or regulation. Without stockholder approval, the Board may not (i) increase the number of shares that may be issued under the Plan; (ii) change the class of persons eligible to receive awards under the plan; (iii) change the Plan's requirements concerning the exercise price of options granted under the Plan; or (iv) otherwise effect any material amendment which would require stockholder approval under any applicable law or regulation. The Board may terminate the 2005 Plan at any time, and the 2005 Plan will in all events terminate on July 28, 2015.

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FEDERAL INCOME TAX CONSEQUENCES

Option Grants

Options granted under the 2005 Plan may be either incentive stock options that satisfy the requirements of Section 422 of the Internal Revenue Code or non-statutory options that are not intended to meet such requirements. The Federal income tax treatment for the two types of options differs as follows:

Incentive Options. No taxable income is recognized by the optionee at the time of the option grant, and no taxable income is generally recognized at the time the option is exercised. The optionee will, however, recognize taxable income in the year in which the purchased shares are sold or otherwise made the subject of disposition. For Federal tax purposes, dispositions are divided into two categories: (i) qualifying and (ii) disqualifying. A qualifying disposition occurs if the sale or other disposition is made more than two (2) years after the date the option for the shares involved in such sale or disposition was granted and more than one (1) year after the date the option was exercised for those shares. If the sale or disposition occurs before these two periods are satisfied, then a disqualifying disposition will result.

Upon a qualifying disposition, the optionee will recognize long-term capital gain in an amount equal to the excess of (i) the amount realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for the shares. If there is a disqualifying disposition of the shares, then the excess of (i) the fair market value of those shares on the exercise date over (ii) the exercise price paid for the shares will be taxable as ordinary income to the optionee. Any additional gain or loss recognized upon the disposition will be recognized as a capital gain or loss by the optionee.

If the optionee makes a disqualifying disposition of the purchased shares, then the Company will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the excess of (i) the fair market value of such shares on the option exercise date over (ii) the exercise price paid for the shares. In no other instance will the Company be allowed a deduction with respect to the optionee's disposition of the purchased shares.

Non-Statutory Options. No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will in general recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income.

If the shares acquired upon exercise of the non-statutory option are unvested and subject to repurchase by the Company in the event of the optionee's termination of service prior to vesting in those shares, then the optionee will not recognize any taxable income at the time of exercise but will have to report as ordinary income, as and when the Company's repurchase right lapses, an amount equal to the excess of (i) the fair market value of the shares on the date the repurchase right lapses over (ii) the exercise price paid for the shares. The optionee may, however, elect under Section 83(b) of the Internal Revenue Code to include as ordinary income in the year of exercise of the option an amount equal to the excess of (i) the fair market value of the purchased shares on the exercise date over (ii) the exercise price paid for such shares. If the Section 83(b) election is made, the optionee will not recognize any additional income as and when the repurchase right lapses.

The Company will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for the taxable year of the Company in which such ordinary income is recognized by the optionee.

Direct Stock Issuance

The tax principles applicable to direct stock issuances under the 2005 Plan will be substantially the same as those summarized above for the exercise of non-statutory option grants.

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Deductibility of Executive Compensation

The Company anticipates that any compensation deemed paid by it in connection with disqualifying dispositions of incentive stock option shares or exercises of non-statutory options granted under the 2005 Plan with exercise prices equal to the fair market value of the option shares on the grant date will qualify as performance-based compensation for purposes of Section 162(m) of the Code and will not have to be taken into account for purposes of the \$1 million limitation per covered individual on the deductibility of the compensation paid to certain executive officers of the Company. Accordingly, all compensation deemed paid with respect to those option grants under the 2005 Plan will remain deductible by the Company without limitation under Section 162(m) of the Code.

Golden Parachute Tax and Section 280G of the Code

If an option is accelerated as a result of a Change in Control, all or a portion of the value of the option at that time may be a parachute payment under Section 280G of the code for certain employees and other individuals who perform services for the Company. Section 280G generally provides that if parachute payments equal or exceed three times and option holder's average W-2 compensation for the five tax years preceding the year of the change in Control, the company will not be permitted to claim its deduction with respect to any excess parachute payments made to the individual. An excess parachute payment generally is the portion of a parachute payment that exceeds such individual's average compensation for such period. Section 280G of the Code generally applies to employees or other individuals who perform services for the Company if, within the 12-month period preceding the Change in Control, the individual is an officer of the Company, a shareholder owning more than 1% of the stock of the Company, or a member of the group consisting of the lesser of the highest paid 1% of the employees of the Company or the highest paid 250 employees of the Company. A recipient of an excess parachute payment is subject to a 20% excise tax on such parachute payment under Section 4999 of the Code.

The discussion set forth above is intended only as a summary and does not purport to be a complete enumeration or analysis of all potential tax effects relevant to recipients of options under the 2005 Plan. We have not undertaken to discuss the tax treatment of options under the 2005 Plan in connection with a merger, consolidation or similar transaction. Such treatment will depend on the terms of the transaction and the method of dealing with the options in connection therewith.

Vote Required

The affirmative vote of a majority of the outstanding voting shares of the Company present or represented and entitled to vote at the Annual Meeting is required for approval of the amendment to the 2005 Plan.

The Board of Directors recommends a vote FOR the approval of the amendment to the 2005 Stock Option / Stock Issuance Plan.

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Proposal III

APPROVAL OF INCREASE IN AUTHORIZED CAPITALIZATION

The Company's Amended and Restated Certificate of Incorporation currently authorizes 30,000,000 shares of Common Stock, of which 21,574,212 shares of Common Stock were issued and outstanding as of April 30, 2005.

The Board of Directors believes that the Company will require substantial additional resources to achieve its strategic growth objectives, remain competitive and maintain the strength of its business for the benefit of all stockholders, and that a major component of these additional resources must be common equity. Increasing the number of authorized shares of Common Stock from 30,000,000 to 50,000,000 would provide the Company with additional capital resources to finance the long-term growth of the Company and with sufficient shares of Common Stock for stock splits. The additional shares of Common Stock could be issued for acquisitions and in public or private offerings, the proceeds of which could be used to finance the Company's growth through increased working capital, expansion of existing businesses and other corporate purposes. The Board believes that having these additional shares available will provide the Board with the flexibility it needs to respond quickly, and without the delays inherent in obtaining stockholder approval, should shares be required for acquisition opportunities, working capital, capital improvements, stock splits or other corporate purposes. The Board does not currently have any plans to issue shares of Common Stock or Preferred Stock in any public or private offering, for any acquisition, or otherwise, nor are there any present negotiations which could lead to such an issuance.

In addition to the corporate purposes discussed above, the proposed increase in the number of authorized shares of Common Stock, under certain circumstances, may have an anti-takeover effect, although this is not the present intent of the Board of Directors. The authorized but unissued shares of Common Stock could be used by the Board of Directors to discourage, delay or make more difficult a change in the control of the Company. For example, a number of such shares could be privately sold to purchasers who might align themselves with the Board of Directors in opposing a hostile takeover bid. The issuance of additional shares could serve to dilute the stock ownership of persons seeking to obtain control and thereby increase the cost of acquiring a given percentage of the outstanding stock. Although this proposal to increase the authorized number of shares of Common Stock has been prompted by business and financial considerations and not by the threat of any hostile takeover attempt (nor is the Board of Directors currently aware of any such attempts directed at the Company), stockholders should be aware that approval of the amendment to the Certificate could facilitate future efforts by the Company to deter or prevent changes in control of the Company, including transactions in which the stockholders might otherwise receive a premium for their shares over then-current market prices.

Additional shares of Common Stock authorized pursuant to this proposal would be identical in all respects to the Common Stock currently authorized. While authorization of the additional shares will not dilute the proportionate voting power or other rights of existing stockholders, future issuances of Common Stock could reduce the proportionate ownership of existing holders of Common Stock, and, depending on the price at which such shares are issued, may be dilutive to the existing stockholders.

Common Stock (including the additional shares of Common Stock authorized pursuant to this proposal) may be issued from time to time upon authorization of the Board of Directors, without further approval by the stockholders, unless otherwise required by applicable law, and for the consideration that the Board may determine is appropriate and as may be permitted by applicable law.

As provided for by the Delaware General Corporation Law, the Board of Directors has directed that the proposed amendment to increase the number of authorized shares of Common Stock be submitted to a vote of the stockholders.

The proposed amendment to the Amended and Restated Certificate of Incorporation would amend Section A of Article IV of the Amended and Restated Certificate of Incorporation to read as follows:

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A. Classes of Stock: The Corporation is authorized to issue two classes of stock to be designated, respectively, Common Stock and Preferred Stock. The total number of shares which the corporation is authorized to issue is Fifty-Five Million (55,000,000) shares. Fifty Million (50,000,000) shares shall be Common Stock, par value \$.001 per share, and Five Million (5,000,000) shares shall be Preferred Stock, par value \$.001 per share.

Vote Required

The affirmative vote of a majority of the outstanding voting shares of the Company present or represented and entitled to vote at the Annual Meeting is required for approval of the amendment to the Certificate to increase the number of authorized shares of Common Stock.

The Board of Directors strongly recommends that stockholders vote FOR the amendment to the Certificate to increase the number of authorized shares of Common Stock.

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REGISTERED PUBLIC ACCOUNTING FIRM**

In April 2005, Deloitte & Touche LLP (Deloitte) advised the Audit committee of the Board of Directors that it declined to stand for re-appointment as the independent registered public accounting firm for the Company, and would resign upon the completion of Deloitte s review of the Company s interim financial statements to be included in its Quarterly Report on Form 10-Q for the first quarter ended March 31, 2005.

Deloitte s report on the Company s consolidated financial statements for the years ended December 31, 2003 and 2004, did not contain any adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two year period ended December 31, 2004, and the period from January 1, 2005, through the date of its resignation, there were no disagreements between the Company and Deloitte on any matter of accounting principles or practice, financial statement disclosure, or auditing scope or procedure, which, if not resolved to Deloitte s satisfaction, would have caused Deloitte to make reference to the subject matter of such disagreements in connection with the issuance of its report on the Company s financial statements.

During the two year period ended December 31, 2004, and the period from January 1, 2005, through the date of its resignation, Deloitte did not advise the Company that an reportable events (described in Item 304(a)(1)(v) of Regulation S-K promulgated by the Securities and Exchange Commission (SEC) pursuant to the Securities Exchange Act of 1934, as amended) occurred during such period.

The Audit Committee has recommended, and the Board of Directors has approved, the appointment of BDO Seidman, LLP (BDO) as the Company s independent registered public accounting firm for the year ending December 31, 2005, and is asking the stockholders to ratify this appointment. The affirmative vote of a majority of the shares represented and voting at the Annual Meeting is being sought to ratify the selection of BDO.

In the event the stockholders fail to ratify the appointment, the Audit Committee of the Board will reconsider its selection. Even if the selection is ratified, the Audit Committee of the Board, in its discretion, may direct the appointment of a different independent auditing firm at any time during the year if the Board believes that such a change would be in the best interests of Smith Micro and its stockholders.

Representatives of both Deloitte and BDO, expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

Principal Accountant Fees and Services

The following is a summary of the fees billed to Smith Micro by Deloitte & Touche LLP for professional services rendered for fiscal years ended December 31, 2004 and 2003.

Fee Category	Fiscal 2004 Fees	Fiscal 2003 Fees
Audit Fees	\$ 135,000	\$ 119,000
Audit Related Fees	4,000	0
Tax Fees	46,000	32,000

All Other Fees		4,000		5,000
Total Fees		\$ 189,000	\$	156,000

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Audit Fees: This category consists of fees for the audit of our annual financial statements, review of the financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

Audit-Related Fees: This category consists of assurance and related services by Deloitte that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under Audit Fees.

Tax Fees: The services for the fees disclosed under this category include tax preparation and compliance and tax planning advice provided by Deloitte.

All Other Fees: This includes amounts paid to Deloitte for consulting services related to employee benefits issues in 2004 and training services in connection with new requirements under Sarbanes-Oxley in 2003.

The Audit Committee has determined that all non-audit services provided by Deloitte was compatible with Deloitte's audit independence.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm.

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent registered public accounting firm. Under the policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, the independent registered public accounting firm is required to provide detailed back-up documentation at the time of approval. The Audit Committee may delegate pre-approval authority to one or more of its members. Such a member must report any decisions to the Audit Committee at the next scheduled meeting.

Stockholder Approval

The affirmative vote of a majority of the outstanding voting shares of the Company present or represented and entitled to vote at the Annual Meeting is being sought to ratify the selection of BDO.

The Board of Directors recommends a vote FOR ratification of the appointment of BDO Seidman, LLP as our independent registered public accounting firm.

Table of Contents**OTHER MATTERS**

We know of no other matters to be brought before the Annual Meeting. If any other matter is properly presented for consideration at the Annual Meeting, it is intended that the proxies will be voted by the persons named therein in accordance with their judgment on such matters. Discretionary authority with respect to such other matters is granted by the execution of the enclosed Proxy.

OWNERSHIP OF SECURITIES

The following table sets forth certain information known to us as of April 30, 2005, with respect to beneficial ownership of our Common Stock by (i) each person (or group of affiliated persons) who is known by us to own beneficially more than five percent (5%) of our outstanding Common Stock, (ii) each director and nominee for director, (iii) our Chief Executive Officer and each other Named Executive Officer (as such term is defined below under the caption Executive Compensation and Related Information) and (iv) all current directors and executive officers as a group, together with the approximate percentages of outstanding Common Stock owned by each of them. The following table is based upon information supplied by directors, executive officers, and principal stockholders. Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act.

Name and Address of Beneficial Owner ⁽¹⁾	Amount of Common Stock Beneficially Owned ⁽²⁾	Percentage of Common Stock Beneficially Owned
<u>Officers and Directors</u>		
William W. Smith, Jr. ⁽³⁾	4,000,166	18.35%
Robert W. Scheussler ⁽⁴⁾	35,854	*
David P. Sperling ⁽⁵⁾	101,667	*
Thomas G. Campbell ⁽⁶⁾	12,500	*
Samuel Gulko ⁽⁷⁾	12,000	*
William C. Keiper ⁽⁸⁾	5,000	*
Gregory J. Szabo ⁽⁹⁾	6,000	*
William R. Wyand ⁽¹⁰⁾	18,542	*
Christopher G. Lippincott ⁽¹¹⁾	3,125	*
All current directors and executive officers as a group (11 persons) ⁽¹²⁾	4,209,229	19.12%
<u>Principal Stockholders⁽¹⁾</u>		
Rhonda L. Smith ⁽¹³⁾	3,316,615	15.37%

* Less than 1%.

(1) Unless otherwise indicated: (i) each named individual's address is 51 Columbia, Aliso Viejo, California 92656 and (ii) the persons named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

