

SMF ENERGY CORP
Form 10-K
September 28, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: June 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-21825

SMF ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

65-0707824
(I.R.S. Employer
Identification No.)

200 West Cypress Creek Road, Suite 400, Fort Lauderdale, Florida 33309
(Address of principal executive offices) (Zip Code)

(954) 308-4200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of exchange on which registered
Common Stock, \$.01 Par Value	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

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Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) .

Yes " No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this Chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

" Large accelerated filer " Accelerated filer " Non-accelerated filer Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes " No x

The aggregate market value of the voting stock held by non-affiliates was \$11,790,346. The aggregate market value was computed by reference to the last sale price of the registrant's Common Stock on the Nasdaq Capital Market on December 31, 2009.

As of September 21, 2010 there were 8,557,314 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Certain Portions of Registrant's Proxy Statement relating to the 2010 Annual Meeting of Shareholders are incorporated by reference into Part III.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning our expectations, plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends and other information that is not historical information and, in particular, appear under the headings “Management's Discussion and Analysis of Financial Condition and Results of Operations.” The words “could,” “estimate,” “expect,” “anticipate,” “project,” “plan,” “intend,” “believe,” “goal,” “forecast” and variations of such words and expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that our expectations, beliefs and projections will result or be achieved.

There may also be factors that are not presently known to us or that we currently consider to be immaterial that may cause our actual results to differ materially from the forward-looking statements. Some of the risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements are described in the section entitled “Risk Factors” in Item 1A, and elsewhere in this Annual Report on Form 10-K. All forward-looking statements and projections attributable to us or persons acting on our behalf apply only as of the date of the particular statement, and are expressly qualified in their entirety by the cautionary statements included in this report and our other filings with the SEC. We undertake no obligation to publicly update or revise forward-looking statements, including any of the projections presented herein, to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

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PART I

Item 1. Business

Overview

We are a leading provider of petroleum product distribution services, transportation logistics and emergency response services to the trucking, manufacturing, construction, shipping, utility, energy, chemical, telecommunication and government services industries. We provide our services and products through 34 service locations in the eleven states of Alabama, California, Florida, Georgia, Louisiana, Mississippi, Nevada, North Carolina, South Carolina, Tennessee and Texas.

The broad range of services we offer our customers includes commercial mobile and bulk fueling; the packaging, distribution and sale of lubricants; integrated out-sourced fuel management; transportation logistics and emergency response services. Our fleet of custom specialized tank wagons, tractor-trailer transports, box trucks, and customized flatbed vehicles delivers diesel fuel and gasoline to customers' locations on a regularly scheduled or as needed basis, refueling vehicles and equipment, re-supplying fixed-site and temporary bulk storage tanks, and emergency power generation systems; and distributes a wide variety of specialized petroleum products, lubricants and chemicals to our customers. In addition, our fleet of special duty tractor-trailer units provides heavy haul transportation services over short and long distances to customers requiring the movement of over-sized or over-weight equipment and manufactured products.

We were originally incorporated in Florida in 1996, under the name Streicher Mobile Fueling, Inc. ("Streicher"). SMF Energy Corporation (the "Company"), a Delaware corporation, was formed in 2006 as a wholly-owned subsidiary of Streicher. In December 2006, the shareholders of Streicher approved changing the name of Streicher to SMF Energy Corporation and the reincorporation of Streicher in Delaware by merger into the Company. These actions were effectuated on February 14, 2007 by the merger of Streicher into the Company. Unless indicated otherwise, "the Company", "SMF", "we", "us", and "our" refer to SMF Energy Corporation and its subsidiaries.

Strategy

An objective of our business model is to become the leading "single source" provider of petroleum products and services to our target customers in the eleven states in which we presently have operating locations, as well as expanding into additional markets in other states. We seek to offer our customers a diversified package of quality and reliable petroleum products and service with 24 hour around the-clock-availability at competitive prices. To achieve these objectives, we plan to grow organically and through selective acquisitions. As we achieve such growth, we expect to achieve economies of scale and related efficiencies that improve our profitability and enhance shareholder value.

Our organic growth strategy is focused on increasing market share in our existing operating locations and contiguous geographic areas. We seek market share expansion through a concentrated market penetration and sales program offering a broader line of products and services to both existing and prospective customers. We believe that our corporate infrastructure, including our Enterprise Resource Planning ("ERP") operating system, has enabled us to operate more efficiently and to reduce operating costs and administrative expenses. This system has facilitated the consolidation of financial management reporting and analysis functions, improved management controls, and helped us comply with the requirements of the Sarbanes-Oxley Act of 2002. Over the past few years, it has also permitted us to offset the negative impact of recent economic conditions on our customer base by steadily improving our efficiency, and supporting our expansion into new markets and within existing markets.

Our acquisition strategy is focused on acquiring companies, assets and business operations that complement or offer diversified opportunities for growth in the markets where we already have an established presence or that permit us to expand into new markets. We believe that carefully selected future acquisitions can provide us with increased market share, volume and margins. In addition, such acquisitions would enhance our operational and administrative efficiencies by helping us achieve greater economies of scale. Our corporate infrastructure and our ERP system are the foundations on which we can build our business and expand; we are now able to more effectively integrate acquisitions.

We evaluate potential acquisitions based on a variety of factors, including:

- market presence;
- growth potential of product and service lines;
- margin contribution;
- impact on our competition;
- customer loyalty and retention;
- commitment of management and other personnel;
- integration efficiencies and controls; and
- transaction financing alternatives, among others.

We have historically funded acquisitions primarily by raising additional capital. While recent economic conditions have considerably tightened the capital markets, we still believe that new capital, in the form of equity, debt or a combination of both, will be available to us for making acquisitions of complementary or diversifying businesses. As one of the few companies to have strengthened its balance sheet and improved its operating results over the past few years, we expect that we can obtain the capital required to make such acquisitions. Nevertheless, there is no assurance that we will be able to identify and engage suitable acquisition candidates or that, if we do so, we will successfully raise the necessary capital to complete the acquisition and implement our growth strategy.

Products, Services and Operations

Commercial Mobile and Bulk Fueling and Fuel Management Services

We provide commercial mobile and bulk fueling distribution services on a regularly scheduled or as needed basis, refueling vehicles and equipment, and re-supplying bulk storage tanks and emergency power generation systems.

Traditionally, businesses and other entities that operate fleets of vehicles and equipment have met their fueling requirements by fueling vehicles at retail stations or at other third party facilities or by maintaining their own supply of fuel in on-site storage tanks. We believe that the commercial mobile fueling and out-sourced fuel management services we offer provide numerous benefits to our customers, including lower labor and administrative costs associated with fueling vehicles, centralized control and management over fuel inventories, data useful for management and tax reporting, elimination of environmental risks and related costs associated with on-site fuel storage and dispensing facilities, and elimination of security risks associated with off-site fueling by employees. Our commercial mobile fueling solutions include the use of our patented proprietary electronic fuel tracking control system to measure, record and track fuel sold to each vehicle and tank fueled at a customer location. This system allows verification of the amount and type of fuel sold and provides customers with customized fleet fuel data. Depending on the customer application, the benefits of our commercial mobile fueling and out-sourced fuel management services over traditional fueling methods may include:

- **Reduced Operating Costs and Increased Labor Productivity.** Fleet operators are able to reduce operating costs and lower payroll hours by eliminating the need for their employees to fuel vehicles either on-site or at local retail stations and other third party facilities. Overnight fueling prepares fleet vehicles for operation at the beginning of

each workday and increases labor productivity by allowing employees to use their vehicles during time that would otherwise be spent fueling. Vehicle use is maximized since fueling is conducted during non-operating hours. The fuel necessary to operate vehicles is reduced since fueling takes place at customer locations. The administrative burden required to manage fuel programs and monitor vehicle utilization is also reduced.

- **Centralized Inventory Control and Management.** Our fuel management system provides fleet operators with a central management data source. Web-based comprehensive reports detail, among other things, the location, description, fuel type and daily and weekly fuel sold to each vehicle or piece of equipment that we provide the fueling services to. This eliminates customers' need to invest working capital to carry fuel supplies and allows customers to centralize fuel inventory controls as well as track and analyze vehicle movements and fuel consumption for management and fuel tax reporting purposes. We are also able to service and manage fuel distribution to a customer's on-site storage tank, and using our technology we can provide reports detailing fuel dispensed from the tank into each of the customer's vehicles. Our system is specifically designed for use in commercial fueling and is certified for accuracy by The National Conference on Weights and Measures.
- **Tax Reporting Benefits.** Our fuel management system can track fuel consumption to specific vehicles and fuel tanks, providing tax reporting benefits to customers consuming fuel in uses that are tax-exempt, such as for off-road vehicles, government-owned vehicles and fuel used to operate refrigerator units on vehicles. For these uses, the customers receive reports that provide them with the information required to substantiate tax exemptions.
- **Elimination of Expenses and Liabilities of On-site Storage.** Fleet operators who previously satisfied their fuel requirements using on-site storage tanks can eliminate the capital and costs relating to installing, equipping and maintaining fuel storage and dispensing facilities, including the cost and price volatility associated with fuel inventories; complying with escalating environmental government regulations; and carrying increasingly expensive insurance. By removing on-site storage tanks and relying on commercial mobile fueling, customers are able to avoid potential liabilities related to both employees and equipment in connection with fuel storage and handling. Customers' expensive and inefficient use of business space and the diminution of property values associated with environmental concerns are also eliminated.
- **Lower Risk of Fuel Theft.** Fleet operators relying on employees to fuel vehicles, whether at on-site facilities or at retail stations, often experience shrinkage of fuel inventories or excess fuel purchases due to employee fraud. Our fuel management system prevents the risk of employee theft by selling fuel only to authorized vehicles. Utilizing our fueling services, rather than allowing employees to purchase fuel at local retail stations, also eliminates employee fraud due to credit card abuse.
- **Access to Emergency Fuel Supplies and Security.** Emergency preparedness, including fuel availability, is critical to the operation of governmental agencies, utilities, communication companies, delivery services and numerous other fleet operators. We provide access to emergency fuel supplies at times and locations chosen by our customers, allowing them to react more quickly and effectively to emergency situations, such as severe weather conditions and related disasters. Fueling by fleet operators at their own on-site storage facilities, and/or at retail and other third party locations may be limited due to power interruptions, supply outages or access and other natural limitations. In addition, since security concerns of fleet operators to terrorism, hijacking and sabotage are increasing, fueling vehicles at customers' facilities eliminates security risks to the fleet operators' employees and equipment rather than fueling at retail service stations and other third party facilities.

Packaging, Distribution and Sale of Lubricants, Other Petroleum Products and Chemicals

We distribute and sell a wide array of branded and private label petroleum-based lubricants, including products such as gear oil, engine oil, heavy-duty motor oil, hydraulic oil, transmission oil, specialty high temperature grease and synthetic lubricants, from our Texas facilities. Our operations include the distribution of lubricants in bulk and the repackaging of lubricants purchased in bulk quantities. In addition, we are a blender and distributor of specialty lubricants. These products are formulated from bulk feedstocks to meet specific industrial customer requirements and applications. We are also a distributor of solvents and other chemicals, including those used in the dry cleaning industry.

Transportation Logistics Services

Some of our customers, particularly those engaged in the construction industry within Texas, require the movement of heavy equipment, such as bulldozers, cranes and road grading equipment. To meet this demand, we provide specialized transportation and logistics services utilizing a fleet of re-configurable tractor-trailer units to provide the delivery of specialized commodities, including heavy haul, over-size and/or over-weight machinery and equipment. These services are primarily supplied in Texas as well as in the Southeast and Southwest regions of the U.S.

Emergency Response Services

We provide fuel supply services to governmental agencies, utilities, communication companies, delivery services and other fleet and equipment operators when emergency situations, such as severe weather conditions and related disasters, create power interruptions, supply outages or access restrictions on our customers. We provide access to emergency fuel supplies at times and locations chosen by our customers, allowing them to react more quickly and effectively to emergency situations. In addition, our emergency generator services program provides customers with ongoing fuel testing, treatment, filtration and top-off services to ensure that generators and other emergency power supply systems are fully fueled and that the fuel is in optimal condition for use at the onset of power outages. We then provide emergency fuel supplies in a series of scheduled fuel distribution services for the duration of power outages based on the utilization requirements of these generator systems.

Operating Equipment

We operate a fleet of over 200 specialized commercial vehicles, including fueling and lubricant tank wagons, tractor trailer fuel and lubricant transports, lubricant delivery box trucks, flatbed vehicles and special heavy haul tractor-trailer units. Our custom commercial mobile fueling trucks have fuel carrying capacities ranging from 2,800 to 4,500 gallons and are equipped with multi-compartmented tanks. The fuel we sell or deliver is acquired daily at local third-party petroleum terminal storage facilities. Each truck typically services between five and fifteen customer locations per night or day, on specified delivery routes. The driver of each truck also fuels the customer vehicles.

We also own over 800 fuel and lubricant storage tanks with total capacity in excess of 1.7 million gallons. These tanks include bulk storage tanks located at our facilities and portable tanks used for the temporary storage and dispensing of fuels and lubricants at customer job sites. We also sell portable storage tanks to our customer's job-site or other locations; and we reposition, re-supply and maintain these tanks as required, whether on a scheduled or an as needed basis.

Marketing and Customers

We identify and market to potential customers requiring petroleum related services and products within our established service areas. We also pursue the development of new markets by first evaluating the profitability of volume and margin commitments of any potential customers in those new areas. Our primary methods for developing new business are through direct marketing and referrals from existing customers as well as from our own personnel. We evaluate new customers based on factors such as type and size of service required, proximity to existing markets, volume commitments, profitability margins and credit worthiness.

Our commercial mobile and bulk fueling and lubricant distribution customers are principally companies operating fleets of vehicles and equipment in a variety of industries, including the trucking, manufacturing, construction, shipping, utility, energy, chemical, telecommunication and government services industries. We are usually the exclusive service provider for the fueling of a customer's entire fleet or a particular location of vehicles and equipment. Our lubricant customers are primarily companies requiring large volumes of specialty industrial oils,

motor and gear lubricants and greases that must adhere to rigid technical and performance specifications. In addition, we market and distribute solvents and specialty petroleum products to dry cleaners and industrial customers in Texas and certain other products, such as fire training chemicals, throughout the U.S.

During the year ended June 30, 2010 approximately 22.9%, of our total revenues, were derived from fleet fueling services provided to our two largest customers. Although we do have certain length of service written contracts with a few of our larger customers, including our two largest customers, one of whom the Company has been servicing for over 16 years, these types of agreements are not customary in the fuel and lubricant distribution industry, and therefore, we do not have written contracts with the majority of our approximately 4,600 customers. Most of our customers can terminate our services at any time and for any reason and, correspondingly, we can discontinue service to those customers at any time. We may also discontinue service to a customer if changes in service conditions or other factors cause us not to reach our minimum targeted levels of volumes and margins, and we are unable to charge an effective margin that is satisfactory to meet our customer logistics service yield requirements.

The Company bills customers for its petroleum and other products and services when sold. We generally collect from our customers within 10 to 45 days after our products and services are sold.

Fuel and Lubricant Supply

We purchase the fuel sold to our customers from multiple suppliers at daily market prices. In certain cases, we qualify for discounts. We monitor fuel prices and trends in each of our service markets daily in order to purchase our supply at the lowest prices and the most favorable terms available to us. We mitigate commodity price risk by purchasing and selling fuel supplies daily and by generally utilizing cost of sales and service-plus pricing when billing customers.

We purchase the majority of our lubricants primarily pursuant to a long-term supply agreement with Chevron who also offers marketing and financing assistance to our customers. Lubricants are distributed and sold in bulk, prepackaged or repackaged by us to meet customer needs. We price lubricant products on a cost of sales and service-plus basis. Traditionally, lubricants inventory was not subject to market price volatility as significant as that for fuel products. Recently, however, due to increasingly volatile petroleum prices, the prices of lubricants have experienced more frequent price changes than in the past. However, these lubricant pricing changes do not generally create pricing risks to us.

We purchase chemicals from several key suppliers. Products are delivered to our location to be redistributed to our customers via company owned equipment. Chemical sales are done in truckload quantities, or in containers ranging from 5 gallons to 55 gallons.

Competition

We compete with other distributors of fuels, lubricants, chemicals and other petroleum products, including several large regional distributors and numerous small independent operators. Our mobile fueling operations also compete with retail marketing outlets such as retail stations and other third-party service locations. We believe that the primary competitive factors affecting our market include price, ability to meet complex and technical services needs, dependability, extended credit terms, service locations, and the ability to provide fuel-management tools.

We believe that our principal competitive advantages include:

- our patented proprietary electronic fuel tracking control system;
- our reputation for timely, efficient and reliable distribution of products and services;
- our well trained drivers and support staff;
- our technical knowledge of our products and our customers' needs; and

- our competitive pricing for products and services as a result of strong business relationships with our principal suppliers.

Intellectual Property

Our patented proprietary fuel tracking and management reporting system is widely used in our commercial mobile fueling operations. We own all patents covering the system, the rights to which are registered with the United States Patent and Trademark Office and expire in the year 2015, unless otherwise extended. We also rely upon a combination of trademark laws and non-disclosure and other contractual arrangements to protect our proprietary rights.

Employees

At June 30, 2010 we employed 239 employees, of which 230 were full-time employees.

Governmental Regulation

Our operations are affected by numerous federal, state and local laws, regulations and ordinances, including those relating to protection of the environment and worker safety. Various federal, state and local agencies have broad powers under these laws, regulations and ordinances. In particular, the operation of our commercial fleet of vehicles is subject to extensive regulation by the U.S. Department of Transportation (“DOT”) under the Federal Motor Carrier Safety Act (“FMCSA”), and our transportation of diesel fuel and gasoline is further subject to the Hazardous Materials Transportation Act (“HMTA”). We are subject to regulatory and legislative changes that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and the cost of providing, mobile fueling services. In addition, we depend on the supply of diesel fuel and gasoline from the oil and gas industry and are thereby affected by changing taxes, price controls and other laws and regulations generally relating to the oil and gas industry. Our future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

The technical requirements of laws and regulations are becoming increasingly expensive, complex and stringent. These laws may impose penalties or sanctions for damages to natural resources or threats to public health and safety. Changing laws and regulations may also expose us to liability for the conduct of, or conditions caused by, others, or even for our own actions that were in compliance with applicable laws when taken. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for joint and several liabilities for remediation of spills and releases of hazardous substances. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources.

There is no assurance that we will be able to comply with existing and future regulatory requirements without incurring substantial costs or otherwise adversely affecting our operations.

Available Information

More information about the Company can be found at our website, www.mobilefueling.com. This annual report on Form 10-K as well as our quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information are filed with the Securities Exchange Commission (“SEC”). We post these reports on the “Investor Relations” section of our website promptly after we file them with the SEC. Our Code of Business Conduct is also posted on our website. All of these documents are available in print without charge to our shareholders upon request. Information on our website is not incorporated by reference in, and is not a part of, this report on Form 10-K.

All of our filings with the SEC may be reviewed at the SEC’s website, www.sec.gov. They may also be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, DC 20549, on official business days during the hours of 10 a.m. to 3 p.m. The public may obtain information on the operation of the Public

Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

We are affected by a wide range of risk factors that could materially affect our business, results of operations and financial condition, and could therefore cause operating results to differ materially from those expressed in any forward-looking statements made by or on behalf of us elsewhere in this report. In addition, investors in our common stock and other securities also bear certain risks relating to those securities and the trading market for our common stock. Below are some of the material factors and risks that could affect our results of operations or the value of our securities:

No Assurance of Future Profitability; Losses from Operations; Need for Capital. We incurred net income in fiscal year ended June 30, 2010 and a net loss in fiscal year 2009. In order to generate profits in the future, we need to continue to maintain operating profit by continuing to increase the volume of products and services sold at profitable margins, control costs and generate sufficient cash flow to support our working capital and debt service requirements. There is no assurance that we will be able to maintain net income or avoid net losses in the future or that we will be able to raise additional capital on acceptable terms if our capital needs cannot be satisfied by cash flow from operations. We enhanced our profitability over the past fifteen months, generating net income during fiscal 2010, in contrast to fiscal 2009, when we faced a number of challenges presented by the rapidly weakening economy. We responded to the need to raise new capital by completing a \$40 million recapitalization in June 2009 (the "Recapitalization") that reduced our total debt by \$4.5 million, lowered our annual servicing expense for interest and dividends by over \$1 million, increased our shareholders' equity by \$4.1 million and reduced our debt to equity ratio from approximately 9 to 1 at June 30, 2008 to 2 to 1 at June 30, 2009. In the future, we may need to raise additional capital to fund new acquisitions, to expand or diversify existing operations or to make additional debt repayments. We believe that, in light of the financial stability flowing from our June 2009 Recapitalization and the resulting positive financial performance in fiscal 2010, we will be able to obtain needed capital, but there can be no assurance that we will be able to do so or that the capital available will be offered on terms acceptable to us.

Nasdaq Listing of Our Common Stock. Our common stock currently trades on the Nasdaq Capital Market under the symbol FUEL. While we consider the listing on Nasdaq to be a valuable attribute of our common stock and other securities, maintaining that listing has been costly over the past few years and there is still no assurance that such listing will continue. During Fiscal 2008, our listing on Nasdaq came into question on two different grounds, leading us to issue shares of Series A Convertible Preferred Stock for approximately \$2.52 million in cash and debt and then issue 1,985 shares of Series B Convertible Preferred Stock in exchange for approximately \$1.8 million in debt. These transactions increased our stockholders' equity by approximately \$4.1 million, permitting us to regain compliance with Nasdaq's minimum stockholders' equity requirements. During fiscal 2009, we completed a recapitalization of our debt and equity that increased stockholders' equity to \$6.5 million at June 30, 2009. While we were profitable in fiscal 2010 and further buttressed our compliance with this requirement, there is no assurance that such compliance will continue indefinitely since substantial net operating losses in the future could reduce our stockholders' equity below Nasdaq minimums again.

In addition, because the bid price of our common stock closed below the minimum \$1.00 per share requirement of Nasdaq Marketplace Rules for more than 30 consecutive business days in 2007, we sought and obtained a series of extensions of time to reestablish compliance with this requirement. When our final deadline for reestablishing compliance with the minimum bid price requirement was set at October 15, 2009, we were required to implement a 1 for 4.5 reverse stock split that took effect on October 1, 2009. While this reverse stock split succeeded in increasing the post-reverse split trading price of our common stock above the \$1.00 minimum bid price, the market price for our stock steadily decreased after the split, notwithstanding what we believed to be our steadily improving operating results at the time. Based on this apparent disconnect between the market prices for our stock and our reported financial performance after the reverse stock split, we determined that the market price of our common stock did not reflect its value and, in August 2010, commenced an open market purchase program for shares of our own stock.

While we have expressed our own views as to the value of our stock by launching the open market purchase program, it is possible that the inconsistency between the market price of our post-split stock and our financial performance will continue in the future. In such an event, there is a risk that the market price will again fall below the \$1.00 minimum price for a prolonged period of time in violation of Nasdaq rules. In such an event, our listing on Nasdaq could again be threatened and we may not be in a position to cure the non-compliance with Nasdaq listing requirements.

Effect of Price Depreciation After Reverse Stock Split. As noted above, the long term efficacy of the Company's 1 for 4.5 reverse stock split in maintaining compliance with Nasdaq's minimum bid price requirement remains uncertain. Moreover, since the reverse stock split, the market price of our common stock has steadily declined notwithstanding what we believe to be consistent improvements in our results of operations, cash flow and financial stability during the same time period. Accordingly, even though the reverse stock split successfully re-established compliance with Nasdaq's minimum bid price requirement the aggregate market value of our common stock after the reverse stock split has been lower than it was before the reverse stock split. There is no assurance that this price depreciation will be reversed or even slowed by our continuing improvements in financial performance. We acknowledge the risk that, as some anecdotal evidence suggests, stock prices can be adversely affected for a considerable period of time by reverse stock splits (and positively impacted by forward stock splits) irrespective of the financial condition or operating performance of the issuer. Investors should therefore appreciate the potential for a lingering negative impact on the trading prices of the common stock from the reverse stock split.

Volatility of Trading Market for Our Stock. During the past few years, our stock has sometimes traded in large daily volumes and other times at much lower volumes, in many cases at wide price variances. This volatility, which could make it difficult for shareholders to sell shares at a predictable price or at specific times, is generally due to factors beyond our control. Quarterly and annual operating results, changes in general conditions in the economy, the financial markets or other developments affecting us could also cause the market price of our common stock to fluctuate. The market price of our common stock may be affected by various other factors unrelated to the number of shares outstanding after the reverse stock split, including our future performance and general market conditions.

Acquisition Availability; Integrating Acquisitions. Our future growth strategy involves the acquisition of complementary businesses, such as wholesale fuel or petroleum lubricants marketers and distributors, wholesale fuel and other commercial mobile fueling companies, and transportation logistics services businesses. It is not certain that we will be able to identify or make suitable acquisitions on acceptable terms or that any future acquisitions will be effectively and profitably integrated into our operations. Acquisitions involve numerous risks that could adversely affect our operating results, including timely and cost effective integration of the operations and personnel of the acquired business, potential write downs of acquired assets, retention of key personnel of the acquired business, potential disruption of existing business, maintenance of uniform standards, controls, procedures and policies, the availability of necessary capital on acceptable terms, the effect of changes in management on existing business relationships, and profitability and cash flows generally.

Our credit facility with our principal lender also requires the Company to obtain the consent of the financial institution prior to incurring additional debt, or entering into mergers, consolidations or sales of assets.

Growth Dependent Upon Future Expansion; Risks Associated With Expansion into New Markets. While our long term plan is to expand more quickly through acquisitions, our growth will also depend upon the ability to achieve greater penetration in existing markets and to successfully enter new markets in both additional major and secondary metropolitan areas. Such organic expansion will largely be dependent on our ability to demonstrate the benefits of our services and products to potential new customers, successfully establish and operate new locations, hire, train and retain qualified management, operating, marketing and sales personnel, finance acquisitions, capital expenditures and working capital requirements, secure reliable sources of product supply on a timely basis and on commercially acceptable credit terms, and successfully manage growth by effectively supervising operations, controlling costs and maintaining appropriate quality controls. During the fiscal year 2010, we grew our business organically by completing an expansion into three new markets including Knoxville, TN, Spartanburg, SC, and North Augusta, GA, and of our business in existing North Carolina markets. Although in the fiscal year 2010 we were able to continue to grow our business, there can be no assurance that in the future we will be able to successfully expand our operations into new markets.

Dependence on Key Personnel. Our future success will be largely dependent on the continued services and efforts of Richard E. Gathright, our Chief Executive Officer and President, and on those of other key executive personnel. The loss of the services of Mr. Gathright or other executive personnel could have a material adverse effect on our business and prospects. Our success and plans for future growth will also depend on our ability to attract and retain additional qualified management, operating, marketing, sales and financial personnel. There can be no assurance that we will be able to hire or retain such personnel on terms satisfactory to us. We have entered into written employment agreements with Mr. Gathright and certain other key executive personnel. While Mr. Gathright's employment agreement provides for automatic one-year extensions unless either party gives notice of intent not to renew prior to such extension, there is no assurance that Mr. Gathright's services or those of our other executive personnel will continue to be available to us.

Fuel Pricing and Supply Availability; Effect on Profitability. Diesel fuel and gasoline are commodities that are refined and distributed by numerous sources. We purchase the fuel from multiple suppliers at daily market prices and in some cases qualify for certain discounts. We monitor fuel prices and trends in each of our service markets on a daily basis and seek to purchase our supply at the lowest prices and under the most favorable terms. Commodity price risk is generally mitigated since we purchase and distribute our fuel supply daily and generally utilize cost-plus pricing when billing our customers. If we cannot continue to utilize cost-plus pricing as a component of billing our customers, margins would likely decrease and losses could return to the bottom line performance. We have not engaged in derivatives or futures trading to hedge fuel price movements. In addition, diesel fuel and gasoline may be subject to supply interruption due to a number of factors, including natural disasters, refinery and/or pipeline outages and labor disruptions. While limitations on the credit available from suppliers became a more significant issue for us during the onset of the national economic recession in fiscal 2008 and 2009, the 2009 Recapitalization and our improved operating performance in fiscal 2010 has alleviated most of these credit availability issues. There is no assurance that a tightened credit market will not recur. Irrespective of the reason, any reduction of the availability of fuel supplies could impact our ability to provide mobile fueling, commercial bulk fueling, and emergency response services and would therefore impact our profitability.

Risks Associated with Customer Concentration; Absence of Written Agreements. Although we provide services to many customers, a significant portion of our revenue is generated from a few of our larger customers. Sales to our two largest customers, represents 22% of our total revenue in fiscal year 2010. While we have formal, length of service written contracts with certain of these larger customers, including our two largest customers, one of whom we have been servicing for over 16 years, such agreements are not customary and we do not have them with the majority of our customers. As a result, most of our customers can terminate our services at any time and for any reason, and we can similarly discontinue service to those customers. We may also discontinue service to a customer if changes in the service conditions or other factors cause us not to meet our minimum level of margins and rates, and the pricing or delivery arrangements cannot be passed along to our customers to achieve our required yield. As a result of this customer concentration and the absence of written agreements, our business, results of operations and financial condition could be materially adversely affected if one or more of our larger customers were lost or if we were to experience a high rate of service terminations of our other customers.

Effect of Reduced Fuel Usage. The global economic downturn that followed the September 2008 stock market crash resulted in many businesses, including most of our customers, experiencing reduced demand for their services and, thus the amount of fuel that they consume in their operations. For those of our existing customers who experienced reduced fuel usage, the reductions lowered the volumes sold by us to those customers. We have not seen any recovery of the approximately 14% reduction in sales volumes to existing customers that we experienced at the beginning of this long, deep and continuing economic recession and downturn. We have replaced those lost sales with sales to new customers and the expansion of service to existing customers in new markets. However, should the current weak economic conditions persist or worsen, it is possible that customers' fuel usage will not recover to pre-recession levels or could decline further. If we cannot replace any further diminished customer volumes, then our revenues and our

results of operation could be negatively affected. In addition, while we have not historically experienced a material reduction in fuel sales during periods of extremely high fuel prices due to the nature of our business, such an event in the future could also negatively affect our customer's volumes of fuel used and our financial performance.

Competition. We compete with other service providers, including several large regional providers and numerous small, local independent operators, who provide some or all of the same services that we offer to our customers. In the mobile fueling area, we also compete with retail fuel marketing, since fleet operators have the option of fueling their own equipment at retail stations and at other third-party service locations such as card lock facilities. Our ability to compete is affected by numerous factors, including price, the complexity and technical nature of the services required, delivery dependability, credit terms, the costs incurred for non-mobile fueling alternatives, service locations as well as the type of reporting and invoicing services provided. In addition, because our principal competitors are privately held, we are adversely affected by the availability of the information concerning our business contained in our SEC filings and elsewhere, since they can utilize that information to compete with us and we have no corresponding information concerning them. There can be no assurance that we will be able to continue to compete successfully as a result of these or other factors.

Operating Risks May Not Be Covered by Insurance. Our operations are subject to the operating hazard and risks normally incidental to handling, storing and transporting diesel fuel and gasoline, which are classified as hazardous materials. We maintain insurance policies in amounts and with coverages and deductibles that we believe are reasonable and prudent. There can be no assurance, however, that our insurance will be adequate to protect us from liabilities and expenses that may arise from claims for personal and property damage arising in the ordinary course of business, including business interruption; that we will be able to maintain acceptable levels of insurance; or that insurance will be available at economical prices.

Governmental Regulation. Numerous federal, state and local laws, regulations and ordinances, including those relating to protection of the environment and worker safety, affect our operations. There can be no assurance that we will be able to continue to comply with existing and future regulatory requirements without incurring substantial costs or otherwise adversely affecting our operations.

Terrorism and Warfare May Adversely Affect the Economy and the Price and Availability of Petroleum Products. Terrorist attacks, as well as the continuing political unrest and warfare in various oil producing countries, may adversely impact the price and availability of fuel, our results of operations, our ability to raise capital and our future growth. The impact of terrorism on the oil industry in general, and on us in particular, is not known at this time. An act of terror could result in disruptions of crude oil or natural gas supplies and markets, the sources of our products, and our infrastructure facilities or our suppliers could be direct or indirect targets. Terrorist activity or warfare may also hinder our ability to transport fuel if the means of supply transportation, such as rail or pipelines, become damaged as a result of an attack. A lower level of economic activity following a terrorist attack or war could result in a decline in energy consumption, which could adversely affect our revenues or restrict our future growth. Instability in the financial markets as a result of terrorism or war could also impair our ability to raise capital. Terrorist activity or further instability in the Middle East could also lead to increased volatility in fuel prices, which could adversely affect our business generally.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our corporate headquarters are located in 20,400 square feet of leased office space in Fort Lauderdale, Florida. Our lease for this facility expires on July 31, 2013.

In addition, we own truck yard and office space in Tampa, Florida. We also lease truck yard and office space for 21 locations specified below as of June 30, 2010, primarily under 1 to 5 year leases which include lease renewal options. We believe that our facilities are adequate for our current needs.

Location	Lease Expiration
Bloomington, CA	7/15/2013
Gardena, CA	7/15/2011
Jacksonville, FL	8/31/2015
Melbourne, FL	2/28/2011
Orlando, FL	11/30/2012
Port Everglades, FL	5/31/2011
Doraville, GA	8/31/2011
Jackson, MS	12/31/2012
Charlotte, NC	12/31/2011
Greensboro, NC	5/31/2011
Selma, NC	10/31/2011
North Augusta, SC	10/31/2010
Spartanburg, SC	11/11/2010
Knoxville, TN	11/16/2010

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Buda, TX	7/31/2011
Freeport, TX	9/30/2010
Ft. Worth, TX	12/31/2010
Houston, TX	9/30/2015
Lufkin, TX	9/30/2015
Selma, TX	12/31/2013
Waxahachie, TX	9/30/2015

We also lease the following facilities on a month to month basis:

Fort Myers, FL

Ellabell, GA

Gonzales, LA

North Las Vegas, NV

Chattanooga, TN

Elm Mott, TX

Longview, TX

Item 3. Legal Proceedings

The Company and its subsidiaries are from time to time parties to legal proceedings, lawsuits and other claims incident to their business activities. Such matters may include, among other things, assertions of contract breach, claims for indemnity arising in the course of the business and claims by persons whose employment with us has been terminated. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, management is unable to ascertain the ultimate aggregate amount of monetary liability, amounts which may be covered by insurance or recoverable from third parties, or the financial impact with respect to these matters as of June 30, 2010. Therefore no contingency gains or losses have been recorded as of June 30, 2010. However, based on management's knowledge at the time of this filing, management believes that the final resolution of such matters pending at the time of this report, individually and in the aggregate, will not have a material adverse effect upon the Company's consolidated financial position, results of operations or cash flows.

On November 23, 2009, the Company entered into a confidential settlement agreement (the "Agreement") resolving all claims in the lawsuit entitled, SMF Energy Corporation vs. Financial Accounting Solutions Group, Inc., Mitchel Kramer, Alex Zaldivar and Kramer Professional Staffing, Inc. Pursuant to the Agreement, the Company received a payment of \$1,050,000 during the quarter ended December 31, 2009. The payment was treated as a partial recovery of the professional fees incurred in connection with the lawsuit, with no gain or loss recognized for the settlement. The Company expensed \$466,000 of these expenses during the current fiscal year. The recovery of these professional fees and the year to date litigation costs have been recorded as part of the selling, general and administrative expenses in the statement of operations. There was no admission of liability by any of the parties to the lawsuit on account of any of the various claims, counterclaims or third party claims made in the lawsuit. All claims made by or against the Company in the lawsuit were released as part of the Agreement.

On May 26, 2009, the Company filed a Demand for Arbitration with the American Arbitration Association in Broward County, Florida, under which the Company brought claims against various members of the Harkrider family arising out of the Company's October 1, 2005 purchase of H & W Petroleum Company, Inc. ("H & W") from the Harkrider family and H & W's purchase of certain assets of Harkrider Distributing Company, Inc. ("HDC") immediately prior to the Company's purchase of H & W. In that action, Case No. 32 198 Y 00415 09 (the "Arbitration"), the Company and H & W, which is now the Company's wholly owned subsidiary, sought damages for breaches of, and indemnification under, the October 1, 2005, Stock Purchase Agreement between various Harkrider family members and the Company and under the September 29, 2005, Asset Purchase Agreement between HDC and various members of the Harkrider family, on the one hand, and H & W on the other, along with various other claims arising from the

transaction. Also on May 26, 2009, H & W filed a second action against various members of the Harkrider family in the District Court in Harris County, Texas, Civil Action No. 2009-32909 (the "Harris County Action"), seeking damages and declaratory relief for various breaches of H & W's lease of its Houston, Texas facility by H & W's landlord, the Harkrider Family Partnership, and other related claims. On June 24, 2009, the parties to the Arbitration and the Harris County Action agreed that all of the claims brought in the Arbitration would be dismissed and all of those claims would be added to the Harris County Action. On June 29, 2009, in accordance with the stipulation of the parties to consolidate the Arbitration with the Harris County Action, the American Arbitration Association closed the Arbitration. The Harris County Action is currently in the discovery phase but the case is inactive, since the parties have entered into a standstill agreement while they engage in settlement discussions.

Item 4. Removed and Reserved

PART II

Item 5. Market for Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

The Company's common stock, par value \$.01 ("common stock") has traded in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") Market under the symbol "FUEL", since December 11, 1996, the date of the Company's initial public offering. The following table sets forth, for the periods indicated, the high and low prices for the common stock, as reported by NASDAQ.

	Common Stock	
	High	Low
Year Ended June 30, 2010		
1st quarter	\$ 2.48	\$ 1.17
2nd quarter	\$ 1.79	\$ 1.21
3rd quarter	\$ 1.57	\$ 1.22
4th quarter	\$ 1.91	\$ 1.11
Year Ended June 30, 2009		
1st quarter	\$ 3.20	\$ 1.13
2nd quarter	\$ 1.89	\$ 0.95
3rd quarter	\$ 1.31	\$ 0.45
4th quarter	\$ 3.15	\$ 0.63

On June 30, 2010, the closing price of the common stock was \$1.22 per share. As of September 21, 2010, there were 2,000 holders of record of our common stock and over 75 beneficial owners of our common stock.

Dividends

We have never declared or paid any dividends on our common stock. The payment of dividends on our common stock, if any, is within the discretion of the Board of Directors and will depend upon our earnings, our capital requirements and financial condition and other relevant factors. While our Board of Directors has recently considered the advisability of declaring dividends on our common stock in response to the gradual deterioration of the market price of that stock, the Board has indicated that, at the present time, it does not intend to declare dividends and intends to retain any future earnings for use in our business operations and for purchases of our stock pursuant to the open market stock purchase program we announced in August 2010.

Dividends on the 598 outstanding shares of Series D Preferred Stock, which shares were issued in the June 2009 Recapitalization, are payable when, as and if declared by the Board of Directors, but only out of funds that are legally available, in annual cash or equity dividends, at the Company's election, at the rate of 5.5% per annum of the sum of the Original Issue Price per share. Per the Certificate of Designation for the Series D, the first dividend declaration for the outstanding Series D Preferred Stock was in August 2010 and was paid in cash. Subsequent dividends on the Series D are payable in cash except that, under specified circumstances, dividends may be paid in the form of shares of a new series of nonvoting Preferred Stock, the terms, rights and privileges of which are, other than the voting rights, substantially identical to those of the Series D. Any payment of dividends is subject to approval by our principal lender.

Dividends on any of the Company's Series of Preferred Stock are cumulative from the date of the original issuance of the Preferred Stock. Accumulated unpaid dividends on Preferred Stock do not bear interest.

In August 2010, the Company declared cumulative dividends of \$13,000 on the Series D Preferred Stock, which were accrued as of June 30, 2010 and paid in full during the first quarter of fiscal 2011.

While the Company no longer has any shares of its Series A, Series B, or Series C Preferred Stock issued or outstanding as a result of the June 2009 Recapitalization, additional issuances of those securities, while unlikely at this time, could be made. In accordance with the respective Certificates of Designation for each Series, dividends would be payable thereon when, as and if declared by the Board of Directors, but only out of funds that are legally available, in quarterly cash dividends. Also per the Certificates of Designation, the initial dividend rate of eighteen percent (18%) per annum of the sum of the Original Issue Price per share was reduced to twelve percent (12%) in December 2008 because the Company achieved positive Earnings Before Interest, Taxes, Depreciation and Amortization for two consecutive fiscal quarters. During fiscal 2009, the Company declared \$577,000 in cumulative dividends on the Series A, Series B, and Series C Preferred Stock, which were paid or satisfied by June 30, 2009. On May 5, 2009, the Company entered into an agreement with the holders of the Series A, Series B, and Series C Preferred Stock to satisfy the dividends due for the quarters ended December 31, 2008, and March 31, 2009 through the issuance of unregistered shares of common stock of the Company. For purposes of determining the number of shares to be issued for the unpaid dividends, shares were valued at \$1.04 per share, the official closing price on the Nasdaq Stock Market on April 24, 2009, the trading day immediately preceding the April 27, 2009 effective date of the conversion agreements. As a result, the Company issued 246,910 shares of common stock to the holders of Preferred Stock in lieu of paying the \$256,000 in cash dividends for the quarters ended December 31, 2008, and March 31, 2009.

On June 29, 2009, as part of the Recapitalization, the Company entered into another agreement with the holders of the Series A, Series B, and Series C Preferred Stock to satisfy the dividends due for the quarter ended June 30, 2009 through the issuance of shares of common stock of the Company. For purposes of determining the number of shares to be issued for the unpaid dividends, shares were valued at the negotiated price of \$1.71 per share (the official closing price on the Nasdaq Stock Market on the trading day immediately preceding the June 29, 2009 effective date of the conversion agreements was \$1.67). As a result, the Company issued 73,449 shares of common stock to the holders of Preferred Stock in lieu of paying the \$126,000 in cash dividends for the quarter ended June 30, 2009.

In the June 2009 Recapitalization, the Company redeemed all the outstanding Series A, Series B, and Series C preferred shares through the issuance of an aggregate of 2,455,001 common shares at the negotiated price of \$1.71 per share, which was a per share amount lower than the original terms of the securities. As per ASC 260, "Earnings per Share" (formerly EITF No. D-42), the Company reported the additional securities issued to the preferred shareholders as a non-cash deemed dividend of \$1,746,216, which was a calculation of the difference between the 1,406,223 common shares that would have been issuable under the original conversion rights that existed in the convertible preferred shares and the 2,455,001 common shares issued at \$1.71 per share upon the redemption exchange times the market price on the conversion date.

Convertible Promissory Notes

Also in the June 2009 Recapitalization, the Company extinguished a portion of the August 2007 and the September 2008 Notes ("the Notes") through the issuance of 1,184,591 shares and 277,778 shares of Common Stock, respectively, at the negotiated price of \$1.71 per share, which was higher than the \$1.67 per share closing bid price on the trading day immediately preceding the June 29, 2009 Recapitalization. The original terms of the Notes allowed for a conversion of 50% of the August 2007 Notes and 100% of the September 2008 Notes into common stock. The negotiated issuance price of \$1.71 per share in the Recapitalization was based on then current market prices, and it was lower than the original conversion prices of \$6.57 per share and \$2.93 per share of the August 2007 Notes and the September 2008 Notes, respectively. Since the extinguishment of the Notes through issuance of Common Stock was done at close to current market prices of the Common Stock, the Company issued an aggregate of 991,657 more shares than it would have issued for the convertible equivalent under the original terms of the Notes.

ASC 470-20, "Debt - Debt with Conversion and Other Options" ("ASC 470-20"), specifies the method of accounting for conversions of convertible debt to equity securities when the debtor induces conversion of the debt by offering

additional securities or other consideration to convertible debt holders. In accordance with ASC 470-20, an expense is recognized if and to the extent that “additional consideration is paid to debt holders for the purpose of inducing prompt conversion of the debt to equity securities (sometimes referred to as a convertible debt ‘sweetener’).” While the Company’s purpose in effecting the June 2009 Recapitalization was to effect a complete restructuring of its debt and equity structure via a series of transactions that would have the effect of reducing its outstanding debt and future obligations and there was no intent to induce any conversion of the outstanding debt to common stock, a portion of the exchange of the outstanding carrying value of \$9.6 million in convertible debt for an equal aggregate value of cash, common stock and preferred stock is required by ASC 470-20 to be accounted for as an induced conversion of outstanding debt securities. While we believe that the application of ASC 470-20 did not reflect the economic substance of the value exchanged in this portion of the Recapitalization transaction, we reported, in fiscal year 2009, the required non-cash charge of approximately \$1.65 million for the difference between the number of common shares issued compared to the number of common shares that would have been issued under the original terms of the convertible debt instrument, times the market price on the conversion date.

The Company understands that the accounting interpretation of ASC 470-20 is that an inducement occurs any time additional shares are issued in the extinguishment of convertible debt regardless of the absence of an economic loss or economic intent of the parties to the transaction. As a result, the application of ASC 470-20 to the exchange of existing convertible debt securities for common stock resulted in the recording of a non-cash “inducement” accounting charge of \$1.65 million, which was a calculation of the difference between the 470,712 common shares that would have been issuable to the applicable note holder under the original conversion rights that existed in the convertible Notes and the 1,462,369 common shares exchanged at \$1.71 per share upon the extinguishment. This non-cash charge was deemed a financing expense to extinguish the Notes and it is included in the Consolidated Statements of Operations with a corresponding increase in Additional paid-in capital and therefore the net impact has no effect to total Shareholders’ Equity.

Equity Compensation Plan Information

The information required by this item is incorporated by reference from our Definitive Proxy Statement for our 2010 Annual Meeting of Stockholders to be filed no later than 120 days after the end of the fiscal year covered by this report.

Issuer Purchases of Equity Securities

There were no issuer purchases of equity securities during fiscal 2010.

Item 6. Selected Financial Data

The following table summarizes our selected historical financial information for each of the last five fiscal years. The information presented below has been derived from our audited consolidated financial statements. This table should be read in conjunction with such Consolidated Financial Statements and related notes and with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Item 7 of this Form 10-K.

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(in thousands, except net margin per gallon and per share data)

	Year Ended June 30,				
	2010	2009 4	2008 4	2007	2006
Selected Income Statement Data:					
Total revenue	\$ 192,847	\$ 199,249	\$ 260,689	\$ 229,769	\$ 248,699
Gross profit	\$ 15,196	\$ 16,440	\$ 12,912	\$ 12,631	\$ 12,409
Selling, general and administrative expense	\$ 13,745	\$ 14,755	\$ 14,881	\$ 15,836	\$ 13,262