SMITH MIDLAND CORP
Form 10-K/A
January 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 1)

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2014
or
¨Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number 1-13752
Smith-Midland Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware	54-1727060
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer) Identification No.)

P.O. Box 300, 5119 Catlett Road
Midland, Virginia 22728
(Address of Principal Executive Offices, Zip Code)
(540) 439-3266
(Registrant's Telephone Number, Including Area Code)
Securities Registered Under Section 12(b) of the Act: None
Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value per share
(Title of Class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.Yes o No x
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 o
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 x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§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. x
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 the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (check one)

Large Accelerated Filer	o	Accelerated filer	o
Non-accelerated Filer	o	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 o No x

The aggregate market value of the shares of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity as of June 28, 2014 (the last business day of the Company's most recently completed second fiscal quarter) was $9,714,280. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors, officers and holders of 10% or more of the Company's common stock.

As of March 4, 2015, the Company had outstanding 4,840,628 shares of Common Stock, $.01 par value per share, net of treasury shares.

Documents Incorporated By Reference

None

EXPLANATORY NOTE

The Company has prepared this Amendment No. 1 (“Amendment”) on Form 10-K/A to amend its Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (the “Original Form 10-K”), which was originally filed on March 31, 2015. This Amendment is being filed solely to correct an inadvertent misstatement of the certifying period contained in the certifications on Exhibit 32. These revised certifications are currently dated, refer to the correct certifying period and are included as exhibits to this Amendment.

Except as described above, the Company has not modified or updated disclosures made in the Original Form 10-K in this Amendment. Accordingly, this Amendment does not reflect events occurring after the filing of the Original Form 10-K or modify or update any disclosures affected by subsequent events.

FORWARD-LOOKING STATEMENTS

This Annual Report and related documents include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements involve known and unknown risks, uncertainties and other factors which could cause the Company's actual results, performance (financial or operating) or achievements expressed or implied by such forward looking statements not to occur or be realized. Such forward looking statements generally are based upon the Company's best estimates of future results, performance or achievement, based upon current conditions and the most recent results of operations. Forward-looking statements may be identified by the use of forward-looking terminology such as "may," "will," "expect," "believe," "estimate," "anticipate," "continue," or similar terms, variations of those terms or th negative of those terms. Potential risks and uncertainties include, among other things, such factors as:

- no assurance of profitable operations; in this respect, although the Company was profitable for the year ended December 31, 2013, it incurred a significant loss for the for the fourth quarter of 2014 and the year ended December 31, 2014,
- while the level of our indebtedness is decreasing, the ability to satisfy the same cannot be assured,
- the continued availability of financing in the amounts, at the times, and on the terms required, to support our future business and capital projects,
- the extent to which we are successful in developing, acquiring, licensing or securing patents for proprietary products,
- changes in economic conditions specific to any one or more of our markets (including the availability of public funds and grants for construction),
- changes in general economic conditions,
- adverse weather which inhibits the demand for our products,
- our compliance with governmental regulations,
- the outcome of future litigation,
- on material construction projects, our ability to produce and install product that conforms to contract specifications and in a time frame that meets the contract requirements,
- the cyclical nature of the construction industry,
- our exposure to increased interest expense payments should interest rates change,
- the Company's Board of Directors, which is composed of four members, has only one outside, independent director, and
- the other factors and information disclosed and discussed in other sections of this report.

Investors and shareholders should carefully consider such risks, uncertainties and other information, disclosures and discussions which contain cautionary statements identifying important factors that could cause actual results to differ materially from those provided in the forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1 Business

General

Smith-Midland Corporation (the "Company") invents, develops, manufactures, markets, leases, licenses, sells, and installs a broad array of precast concrete products for use primarily in the construction, highway, utilities and farming industries through its five wholly-owned subsidiaries. The Company's precast and barrier rental customers are primarily general contractors and federal, state, and local transportation authorities located in the Mid-Atlantic, Northeastern, Midwestern and Southeastern regions of the United States. The Company's operating strategy has involved producing innovative and proprietary products, including SlenderWall™, a patented, lightweight, energy efficient concrete and steel exterior wall panel for use in building construction; J-J Hooks® Highway Safety Barrier, a patented, positive-connected highway safety barrier; SoftSound™, a proprietary sound absorptive finish used on the face of sound barriers to absorb some of the traffic noise; Sierra Wall™, a sound barrier primarily for roadside use; Easi-Set™ and Easi-Span™ transportable concrete buildings with patented features; and Beach Prisms™ erosion mitigating modules. In addition, the Company's precast subsidiaries produce farm products such as cattleguards and water and feed troughs as well as custom order precast concrete products with various architectural surfaces, as well as generic highway sound barriers, retaining walls and utility vaults.

The Company was incorporated in Delaware on August 2, 1994. Prior to a corporate reorganization completed in October 1994, the Company conducted its business primarily through Smith-Midland Virginia, which was incorporated in 1960 as Smith Cattleguard Company, a Virginia corporation, and which subsequently changed its name to Smith-Midland Corporation in 1985. The Company’s principal offices are located at 5119 Catlett Road, Midland, Virginia 22728 and its telephone number is 540-439-3266. As used in this report, unless the context otherwise requires, the term the “Company” refers to Smith-Midland Corporation and its subsidiaries. The Company’s wholly owned subsidiaries consist of Smith-Midland Corporation, a Virginia corporation; Smith-Carolina Corporation, a North Carolina corporation; Easi-Set Industries, Inc., a Virginia corporation; Concrete Safety Systems, Inc., a Virginia corporation; and Midland Advertising and Design, Inc., a Virginia corporation doing business as Midland Advertising + Design.

Market

The Company's precast and barrier rental market primarily consists of general contractors performing public and private construction contracts, including the construction of commercial buildings, public and private roads and highways, and airports, municipal utilities, and federal, state, and local transportation authorities, primarily located in the Mid-Atlantic, Northeastern, Midwestern and Southeastern states. Due to the lightweight characteristics of the SlenderWall™ exterior cladding system, the Company has expanded its competitive services outside of the Mid-Atlantic states. The Company's licensing subsidiary licenses its proprietary products to precast concrete manufacturers nationwide and internationally in Canada, Belgium, New Zealand, Australia, Mexico, Trinidad, Spain, and Chile.

The precast concrete products market is affected by the cyclical nature of the construction industry. In addition, the demand for construction varies depending upon weather conditions, the availability of financing at reasonable interest rates, overall fluctuations in the national and regional economies, past overbuilding, labor relations in the construction industry, and the availability of material and energy supplies. A substantial portion of the Company's business is derived from local, state, and federal building projects, which are further dependent upon budgets and, in many cases, voter-approved bonds.

Products

The Company's precast concrete products are cast in manufacturing facilities and delivered to a site for installation, as contrasted to ready-mix concrete, which is produced in a “batch plant,” put into a mixer truck where it is mixed thoroughly and delivered to a construction site to be poured and set at the site. Precast concrete products are used primarily as parts of buildings or highway structures, and may be used architecturally, as in a decorative wall of a building. Structural uses include building walls, frames, floors, or roofs. The Company currently manufactures and sells a wide variety of products for use in the construction, transportation and utility industries.

Easi-Set SlenderWall™ Lightweight Construction Panels

The SlenderWall™ system is a prefabricated, energy-efficient, lightweight exterior cladding system that is offered as a cost-effective alternative to the traditional cladding used for the exterior walls of buildings. The Company's SlenderWall system combines the essential components of a wall system into a single panel ready for interior dry wall mounting immediately upon installation. The base components of each SlenderWall™ panel consists of a galvanized or stainless steel stud frame with an exterior surface of approximately two-inch thick, PVA fiber reinforced, high-density, precast concrete (with integral water repellent) and various architectural surfaces. The exterior architectural concrete facing is attached to the interior steel frame by use of coated stainless steel headed anchors that position the exterior concrete approximately one-half inch away from the steel frame.

SlenderWall™ panels are approximately one-third the weight of traditional precast concrete walls of equivalent size, permanence and durability, and are also significantly improved as to permanence and durability. The lighter weight translates into reduced construction costs resulting from less onerous structural and foundation requirements as well as lower shipping costs. Additional savings result from reduced installation time and ease of erection and from the use of smaller cranes for installation. Closed-cell foam insulation and windows can be plant-installed further reducing cost and construction schedules.

The Company custom designs, manufactures, installs and licenses the SlenderWall™ exterior cladding system. The exterior of the SlenderWall™ system can be produced in a variety of attractive architectural finishes, such as concrete, exposed stone, granite or thin brick.

Easi-Set Sierra Wall™

The Easi-Set Sierra Wall™ ("Sierra Wall") combines the strength and durability of precast concrete with a variety of finishes to provide an effective and attractive sound and sight barrier for use around residential, industrial, and commercial properties and alongside highways. With additional reinforcement, Sierra Wall™ can also be used as a retaining wall to retain earth in both highway and residential construction. Sierra Wall™ is typically constructed of four-inch thick, steel-reinforced concrete panels with an integral column creating a tongue and groove connection system. This tongue and groove connection system and its welded post to foundation connection make Sierra Wall™ easy to install and move if boundaries change or highways are relocated after the completion of a project. The newly patented one-piece extended post and panel design reduces installation time and cost.

The Company custom designs and manufactures Sierra Wall™ components to conform to the specifications provided by the contractor. The width, height, strength, and exterior finish of each wall varies depending upon the terrain and application. The Company also produces generic post and panel design sound barrier wall systems. These systems are constructed of steel or precast concrete columns (the Company manufactures the precast columns) with precast concrete panels which slide down into the groove in each column.

Sierra Wall™ is used primarily for highway projects as a noise barrier as well as for residential purposes, such as privacy walls between homes, security walls or windbreaks, and for industrial or commercial purposes, such as to screen and protect shopping centers, industrial operations, institutions or highways. The variety of available finishes enables the Company to blend the Sierra Wall™ with local architecture, creating an attractive, as well as functional, barrier.

Easi-Set J-J Hooks® Highway Safety Barrier

The Easi-Set J-J Hooks® highway safety barriers (the "J-J Hooks Barriers") are crash-tested (privately funded), positively connected, safety barriers that the Company sells, rents, delivers, installs and licenses for use on roadways to separate lanes of traffic, either temporarily (free-standing, bolted, or pinned) for construction work zone purposes or permanently for traffic control. Barriers are deemed to be positively connected when the connectors on each end of the barrier sections are interlocked with one another. J-J Hooks Barriers interlock without the need for a separate locking device. The primary advantage of a positive connection is that a barrier with such a connection can withstand vehicle crashes at higher speeds without separating. The Federal Highway Administration (the "FHWA") requires that states use only positively connected barriers, which meet NCHRP-350 or MASH crash test requirements. J-J Hooks Barriers meet NCHRP-350 and MASH TL3 requirements and are approved by the FHWA. In November 2009, the Company was issued a patent which contains deflection limitation blocks which improve the J-J Hooks connection performance and has a patent pending on the bolt pocket steel reinforcement.

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The Company has applied for “design protection” of the “end taper” on each end of the barrier sections and the “J-Hook” in the United States, Canada, Australia and New Zealand. If successful, these features cannot be copied by others. The United States has issued a "trade dress" registration for the "end taper" design feature.

The proprietary feature of J-J Hooks Barriers is the design of its positive connection. Protruding from each end of a J-J Hooks Barrier section is a fabricated bent steel connector; rolled in toward the end of the barrier, it resembles the letter "J" when viewed from directly above. The connector protruding from each end of the barrier is rolled identically so that when one end of a barrier faces the end of another, the resulting "hooks" face each other. To connect one section of a J-J Hooks Barrier to another, a contractor merely positions the hook of an elevated section of the barrier above the hook of a set section and lowers the elevated section into place. The positive connection is automatically engaged.

The Company believes that the J-J Hooks Barrier connection design is superior to those of earlier highway safety barriers that were positively connected through the "eye and pin" technique. Barriers incorporating this technique have eyes or loops protruding from each end of the barrier, which must be aligned during the setting process. Once set, a crew inserts pins or long bolts through the eyes which connects and bolts the barrier sections together. Compared to this technique, the J-J Hooks Barriers are easier and faster to install and remove, requires a smaller crew, and eliminates the need for loose hardware to make the connection.

In November 1990, the FHWA approved the free-standing J-J Hooks Barrier and in December 2012 the pinned and bolted J-J Hooks for use on federally aided highway projects following the successful completion of crash testing based on criteria from the National Cooperative Highway Research Program and from the Manual for Assessing Safety Hardware.

J-J Hooks free-standing barrier has been approved for use in state funded projects by 42 states, plus Washington, D.C. The Company is in various stages of the application process in additional states and believes that approval in some of the states will be granted; however no assurance can be given that approval will be received from any or all of the remaining states or that such approval will result in the J-J Hooks Barrier being used in such states. In addition, J-J Hooks Barrier has been approved by the appropriate authorities for use in the countries of Canada (Alberta, Nova Scotia, New Brunswick and Ontario), Australia, New Zealand, Spain, Portugal, Belgium, Germany and Chile.

J-J Hooks anchored (pinned or bolted) barrier successfully passed the MASH TL3 tests in August of 2012 and received FHWA Eligibility Letters in December 2012. Currently 21 states have approved the MASH barrier as an alternate to their state standard. In Canada, the province of Alberta has approved the MASH tested barrier.

Easi-Set Precast Building and Easi-Span™ Expandable Precast Building

Easi-Set Precast Buildings are transportable, prefabricated, single-story, all concrete building designed to be adaptable to a variety of uses ranging from housing communications operations, traffic control systems, mechanical and electrical stations, to inventory or supply storage, restroom facilities or kiosks. Easi-Set Precast Buildings are available in a variety of exterior finishes and in many standard sizes, or can be custom sized. The roof and floor of each Easi-Set Building is manufactured using the Company's patented second generation post-tensioned system, which helps seal the buildings against moisture. As freestanding units, the Easi-Set Buildings require no poured foundations or footings and can be easily installed within a few hours. After installation the buildings can be moved, if desired, and reinstalled in a new location.

The Company also offers Easi-Span™, a line of expandable precast concrete buildings. Easi-Span™ incorporates the technology of the Easi-Set Buildings, but are available in larger sizes and, through its modular construction, can be combined in varied configurations to permit expansion capabilities. Since these larger buildings have less competition from other materials and methods, they produce higher profit margins. Both the Easi-Span and Easi-Set Buildings offer lines of fully-outfitted restrooms with over a dozen standard models.

The Company has sold its Easi-Set and Easi-Span™ Precast Buildings for the following uses:

- Communications Operations — to house fiber optics regenerators, switching stations and microwave transmission shelters, cellular phone sites, and cable television repeater stations.
- Government Applications — to federal, state and local authorities for uses such as weather and pollution monitoring stations; military storage, housing and operations; park vending enclosures; rest rooms; kiosks; traffic control systems; school maintenance and athletic storage; airport lighting control and transmitter housing; and law enforcement evidence and ammunition storage.

- o Utilities Installations — for electrical switching stations and transformer housing, gas control shelters and valve enclosures, water and sewage pumping stations, and storage of contaminated substances or flammable materials which require spill containment.
- o Commercial and Industrial Locations — for electrical and mechanical housing, cemetery maintenance storage, golf course vending enclosures, mechanical rooms, rest rooms, emergency generator shelters, gate houses, automobile garages, hazardous materials storage, food or bottle storage, animal shelters, and range houses.

Easi-Set Utility Vault

The Company produces a line of precast concrete underground utility vaults ranging in size from 27 to 1,008 cubic feet. Each Easi-Set utility vault normally comes with a manhole opening on the top for ingress and egress and openings around the perimeter, in accordance with the customer's specifications, to access water and gas pipes, electrical power lines, telecommunications cables, or other such media of transfer. The utility vaults may be used to house equipment such as cable, telephone or traffic signal equipment, and for underground storage. The Company also manufactures custom-built utility vaults for special needs.

SoftSound™ Soundwall Panels

SoftSound™ soundwall panels, recently developed by the Company, utilize a “wood aggregate” sound absorptive material applied to the face of soundwall panels, which is used to absorb highway noise. SoftSound™ is a proprietary product developed and tested by the Company and is currently approved for use in Virginia, Maryland, seven additional states, and the provinces of Ontario and Quebec, Canada. Approvals are pending in a number of additional states. The Company introduced this product line into its licensing program and is in the process of seeking to obtain approvals in all 50 states and the Canadian Provinces.

Beach Prisms™ Erosion Control Modules

In 2006, the Company began production and launched full-scale advertising and promotional efforts for its product, Beach Prisms™, a shoreline erosion control product that uses the preferred natural "soft" approach as opposed to the "hard" approach of seawalls and jetties, to solve this worldwide problem. This product is expected to provide a higher margin than many of the Company’s other product lines. Beach Prisms™ work by reducing the amount of energy in incoming waves before the waves reach the shoreline. Waves pass through the specially designed slots in the triangular 3 - 4 foot tall by 10 foot long Beach Prisms™ modules. The success of a Beach Prisms ™ installation is dependent on the prevailing wind in relation to the shoreline, the tides, the fetch and the availability of sand in the surf. Beach Prisms™ are primarily for river- and bay-front property owners who want an alternative to traditional armor stone, or groins and jetties. The Company applied for “design protection” in the United States for the Beach Prisms™ in 2009 and received that protection in July 2010.

The Company currently has orders and is also accepting new orders with deposits for the Beach Prism product, and the Company is working with the states of Virginia and Maryland to secure approval of each state’s environmental agency. Each project must apply for approval by the appropriate state to obtain a permit to install the Beach Prism. Such approvals are meeting resistance from the environmental agencies, however, the Company believes approval will be forthcoming. In 2011, the Company installed its first Beach Prism protection on Virginia's Chesapeake Bay shoreline.

H2Out™ Secondary Drainage System

The Company was issued a patent in February 2010 for H2Out™, the first "in the caulk joint" secondary drainage and street level leak detection product for panelized exterior cladding. A second line of caulking and drainage strip located behind the exterior line of caulking exits all water leakage to the exterior of the building preventing moisture and mold, and hence deterring lawsuits from tenants and owners of buildings. H2Out™ has been added as a feature of the SlenderWall™ system and is being included in the product literature, website, and all sales presentations.

Although the Company is optimistic about the success of Beach Prisms™ and H2Out™, there can be no assurance of the commercial acceptance of these products. The Company has its first commercial project to provide the H2Out secondary drainage system on the recladding of an existing building using the SlenderWall panel system.

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Sources of Supply

All of the raw materials necessary for the manufacture of the Company's products are available from multiple sources. To date, the Company has not experienced significant delays in obtaining materials and believes that it will continue to be able to obtain required materials from a number of suppliers at commercially reasonable prices.

Licensing

The Company presently grants licenses through its wholly-owned subsidiary Easi-Set Industries for the manufacturing and distribution rights of certain proprietary products, such as the J-J Hooks® Barrier, Easi-Set™ and Easi-Span™ Precast Buildings, SlenderWall™, SoftSound™ and Beach Prisms™ as well as certain non-proprietary products, such as the Company's cattleguards, and water and feed troughs. Generally, licenses are granted for a point of manufacture. The Company receives an initial one-time administration and training license fee ranging from approximately $25,000 to $60,000. License royalties vary depending upon the product licensed, but the range is typically 4% to 6% of the net sales of the licensed product. In addition, Easi-Set™/Easi-Span™ buildings and SlenderWall™ licensees pay the Company a monthly fee for co-op advertising and promotional programs. The Company produces and distributes advertising and promotional materials and promotes the licensed products through its own advertising subsidiary, Midland Advertising + Design.

The Company has entered into 49 licensing agreements in the United States, ten in Canada, two in Mexico and one each in Belgium, New Zealand, Australia and Trinidad, for a total of 65 licensees worldwide.

The Company is currently negotiating several new license arrangements and, although no assurance can be given, expects to increase its licensing activities.

Marketing and Sales

The Company's precast subsidiaries use an in-house sales force and, to a lesser extent, independent sales representatives to market its precast concrete products through trade show attendance, sales presentations, advertisements in trade publications, and direct mail to end users.

The Company has also established a cooperative advertising program in which the Company and its Easi-Set™/Easi-Span™ buildings and SlenderWall™ licensees combine resources to promote certain precast concrete products. Licensees pay a monthly fee and the Company pays any additional amounts required to advertise the products across the country. Although the Company advertises nationally, the Company's precast subsidiaries marketing efforts are concentrated on the region within a 250-mile radius from its facilities, which includes most of Virginia, Delaware, the District of Columbia, Maryland, North Carolina, South Carolina, and parts of Pennsylvania, New York, New Jersey and West Virginia.

The Company's precast and barrier rental sales result primarily from the submission of estimates or proposals to general contractors who then include the estimates in their overall bids to various government agencies and other end users that solicit construction contracts through a competitive bidding process. In general, these contractors solicit and obtain their construction contracts by submitting the most attractive bid to the party desiring the construction. The Company's role in the bidding process is to provide estimates to the contractors desiring to include the Company's products or services in the contractor's bid. If a contractor who accepts the Company's bid is selected to perform the construction, the Company provides the agreed upon products or services. In many instances, the Company provides estimates to more than one of the contractors bidding on a single project. The Company also occasionally negotiates with and sells directly to end-users.

Competition

The precast concrete industry is highly competitive and consists of a few large companies and many small to mid-size companies, several of which have substantially greater financial and other resources than the Company. Nationally, several large companies dominate the precast concrete market. However, due to the weight and costs of delivery of precast concrete products, competition in the industry tends to be limited by geographical location and distance from the construction site and is fragmented with numerous manufacturers in a large local area.

The Company believes that the principal competitive factors for its precast products are price, durability, ease of use and installation, speed of manufacture and delivery time, ability to customize, FHWA and state approval, and customer service. The Company believes that its plants in Midland, Virginia and Reidsville, North Carolina compete favorably with respect to each of these factors in the Mid-Atlantic regions of the United States. Finally, the Company believes it offers a broad range of products that are very competitive in these markets.

Patents and Proprietary Information

The Company currently owns U.S., Canadian, Australian and New Zealand patents for J-J Hooks® highway barrier and U.S. and Canadian patents for Easi-Set™ Precast Building features and for SlenderWall™ exterior cladding system features and a U.S. patent for H2Out™ . In 1997, a European patent for J-J Hooks was allowed and it has been registered in the U.K. and Belgium. Additionally, the Company has “trade dress” applications for J-J Hooks features filed in the U.S., Australia, and New Zealand and “distinguishing guise” applications for J-J Hooks features filed in Canada. A U.S. “trade dress” application for Beach Prisms and the J-J Hooks "end taper" have been issued in the U.S.

The Company owns U.S. registered trademarks for Smith-Midland (logo), Smith Cattleguard (words), Excellence in Precast Concrete (words), Easi-Set (logo & words), Easi-Span (words), Easi-Set Industries (words), J-J Hooks (logo), SlenderWall (logo), Thermaguard (words) and J-J Hooks "V" taper (trade-dress). The J-J Hooks logo is registered in Canada, European Community, Australia, and New Zealand.

While the Company intends to vigorously enforce its patent rights against infringement by third parties, no assurance can be given that the patents or the Company's patent rights will be enforceable or provide the Company with meaningful protection from competitors or that its patent applications will be allowed. During 2012, the Company instituted a lawsuit for the infringement of its intellectual properties by a company producing its J-J Hooks highway barrier without a license. The Company successfully settled this matter by requiring the defendant's acceptance of becoming a licensee and thereby paying royalties on all J-J Hooks® highway barrier sales. Even if a competitor's products were to infringe patents held by the Company, enforcing the patent rights in an enforcement action would be very costly, and assuming the Company has sufficient resources, would divert funds and resources that otherwise could be used in the Company's operations. No assurance can be given that the Company would be successful in enforcing such rights, that the Company's products or processes do not infringe the patent or intellectual property rights of a third party, or that if the Company is not successful in a suit involving patents or other intellectual property rights of a third party, that a license for such technology would be available on commercially reasonable terms, if at all.

Government Regulation

The Company frequently supplies products and services pursuant to agreements with general contractors who have entered into contracts with federal or state governmental agencies. The successful completion of the Company’s obligations under such contracts is often subject to the satisfactory inspection or approval of such products and services by a representative of the contracting agency. Although the Company endeavors to satisfy the requirements of each such contract to which it is a party, no assurance can be given that the necessary approval of its products and services will be granted on a timely basis or at all and that the Company will receive any payments due to it. Any failure to obtain such approval and payment may have a material adverse effect on the Company's business.

The Company's operations are subject to extensive and stringent governmental regulations including regulations related to the Occupational Safety and Health Act (OSHA) and environmental protection. The Company believes that it is substantially in compliance with all applicable regulations. The cost of maintaining such compliance is not considered by the Company to be significant.

The Company's employees in its manufacturing division operate complicated machinery that may cause substantial injury or death upon malfunction or improper operation. The Company's manufacturing facilities are subject to the workplace safety rules and regulations of OSHA. The Company believes that it is in compliance with the requirements of OSHA.

During the normal course of its operations, the Company uses and disposes of materials, such as solvents and lubricants used in equipment maintenance, that are classified as hazardous by government agencies that regulate environmental quality. The Company attempts to minimize the generation of such waste as much as possible, and to recycle such waste where possible. Remaining wastes are disposed of in permitted disposal sites in accordance with applicable regulations.

In the event that the Company is unable to comply with the OSHA or environmental requirements, the Company could be subject to substantial sanctions, including restrictions on its business operations, monetary liability and criminal sanctions, any of which could have a material adverse effect upon the Company's business.

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Employees

As of March 4, 2015, the Company had a total of 156 employees, of which 142 are full-time, 5 are part-time and 9 are temporary workers, with 140 located at the Company's Midland, Virginia facility and 16 located at the Company's facility in Reidsville, North Carolina. None of the Company's employees are represented by labor organizations and the Company is not aware of any activities seeking such organization. The Company considers its relationships with its employees to be satisfactory.

Item 1A. Risk Factors

Not applicable

Item 1B Unresolved Staff Comments

Not applicable

Item 2. Properties

Facilities

The Company operates two manufacturing facilities. The primary manufacturing operations are conducted in a 44,000 square foot manufacturing plant located on approximately 22 acres of land in Midland, Virginia, of which the Company owns approximately 19 acres and three acres are leased from Rodney I. Smith, the Company's Chief Executive Officer, at an annual rental rate of $24,000. The manufacturing facility houses two concrete mixers and one concrete blender. The plant also includes two environmentally controlled casting areas, two batch plants, a form fabrication shop, a welding and metal fabrication facility, a carpentry shop, a quality control center and a recently enlarged and covered steel reinforcing fabrication area of approximately 8,000 square feet. The Company's Midland facility also includes a large storage yard for inventory and stored materials.

The Company's second manufacturing facility is located in Reidsville, North Carolina on ten acres of owned land and includes an 8,000 square foot manufacturing plant and administrative offices.

The Company believes that its present facilities are adequate for its current needs and that they are adequately covered by insurance. Substantially all of the Company’s facilities and equipment are used as collateral for various notes payable, which notes as of December 31, 2014 had a balance of approximately $2.2 million.

Item 3. Legal Proceedings

The Company is not presently involved in any litigation of a material nature.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's Common Stock trades on the OTC Bulletin Board System under the symbol "SMID".

As of March 4, 2015, there were approximately 60 record holders of the Company's Common Stock. Management believes there are at least 400 beneficial owners of the Company's Common Stock.

The following table sets forth the high and low closing prices on the OTC Bulletin Board System for the Company's Common Stock for the periods indicated. The prices were obtained from the NASDAQ website. These market quotations reflect inter-dealer prices, without retail markup, markdown, or commission.

	High	Low
2014		
First Quarter	$2.74	$2.00
Second Quarter	2.38	1.80
Third Quarter	2.10	1.82
Fourth Quarter	2.38	1.95
2013		
First Quarter	$1.92	$1.78
Second Quarter	1.94	1.51
Third Quarter	2.15	1.67
Fourth Quarter	2.15	1.72

Dividends

On December 12, 2014, the Company declared a special dividend of $.035 per share of Common Stock for holders of record as of December 17, 2014, which was paid on December 30, 2014. On December 5, 2013, the Company declared a special dividend of $.03 per share of Common Stock for holders of record as of December 20, 2013, which was paid on December 27, 2013. Although the Company paid a dividend for the years 2014, 2013 and 2012, the Company cannot guarantee the continued payment of dividends due to the internal need for funds in the development and expansion of its business. The declaration of dividends in the future will be at the election of the Board of Directors and will depend upon earnings, capital requirements and financial position of the Company, general economic conditions and other pertinent factors. Except for dividends paid in shares of the Company’s Common Stock, the Company’s current loan agreement prohibits the payment of dividends to stockholders without the bank’s prior written consent, which the Company received prior to the payment of each of the 2014, 2013 and 2012 dividends.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company (including the Notes thereto) included elsewhere in this report.

The Company generates revenues primarily from the sale, shipping, licensing, leasing and installation of precast concrete products for the construction, utility and farming industries. The Company's operating strategy has involved producing innovative and proprietary products, including Slenderwall™, a patented, lightweight, energy efficient concrete and steel exterior wall panel for use in building construction; J-J Hooks® Barrier, a positive-connected highway safety barrier; Sierra Wall™, a sound barrier primarily for roadside use; transportable concrete buildings; and SoftSound™, a highway sound attenuation system. In addition, the Company produces utility vaults; farm products such as cattleguards, and water and food troughs; and custom order precast concrete products with various architectural surfaces.

Overview

Overall, the Company’s financial performance declined significantly in 2014 when compared to 2013. The Company had a net loss in 2014 in the amount of $804,838 as compared to net income of $691,502 for 2013. The fourth quarter saw a reduction in sales of $3.3 million and a net loss of $618,774 when compared to the fourth quarter of 2013. Management did not expect to incur a loss of this magnitude because of its large backlog of product sales and projects available for production. Due to factors outside of the Company's control such as cold weather and project owner financing issues, much of the production anticipated for the fourth quarter of 2014 was pushed into the spring of 2015, thereby, leaving a shortfall in production for the fourth quarter and extending into the first quarter of 2015. The construction economy in the Company's geographical sales area has been slowly improving over the last year particularly in the past six months, and while pricing has not returned to the pre-recession highs, competitive pricing has eased considerably and jobs are more readily available. While production and sales were down in the fourth quarter of 2014, the Company's sales department continued to bid on open projects and has now received commitments during the fourth quarter and into the first quarter of 2015 in excess of $10 million. The projects range from Slenderwall projects to miscellaneous projects and all will begin production in 2015 with most being substantially completed during the year as well. Because of the new projects recently acquired and with the standard products we sell continually, management believes 2015 will be a profitable year for the Company.

Results of Operations

Year ended December 31, 2014 compared to the year ended December 31, 2013

For the year ended December 31, 2014, the Company had total revenue of $22,470,837 compared to total revenue of $27,710,542 for the year ended December 31, 2013, a decrease of $5,239,705, or 19%. Sales include revenues from product sales, royalty income, barrier rental income and shipping and installation income. Product sales are further divided into wall panel sales, which include Soundwall, architectural and Slenderwall™ panels, highway barrier, beach prisms, Easi-Set® and Easi-Span® buildings, utility and farm products and miscellaneous precast products. The following table summarizes the sales by product type and a comparison for the years ended December 31, 2014 and 2013:

Sales By Product Type

	2014	2013	Change	% of Change
Product Sales:				
Soundwall Sales	$2,244,477	$1,854,406	$390,071	21.0%
Architectural Panel Sales	1,032,595	2,325,891	(1,293,296)	(55.6)%
Slenderwall Sales	1,624,473	4,499,584	(2,875,111)	(63.9)%
Miscellaneous Wall Sales	421,651	669,152	(247,501)	(37.0)%
Total Wall Panel Sales	5,323,196	9,349,033	(4,025,837)	(43.1)%
Barrier Sales	3,076,680	4,026,439	(949,759)	(23.6)%
Beach Prisms	3,825	59,083	(55,258)	(93.5)%
Easi-Set and Easi-Span Building Sales	3,729,703	3,516,364	213,339	6.1%
Utility and Farm Product Sales	1,608,417	1,662,898	(54,481)	(3.3)%
Miscellaneous Product Sales	1,501,555	964,371	537,184	55.7%
Total Product Sales	15,243,376	19,578,188	(4,334,812)	(22.1)%
Royalties income	1,592,633	1,545,378	47,255	3.1%
Barrier Rentals	1,365,671	2,319,507	(953,836)	(41.1)%
Shipping and Installation	4,269,157	4,267,469	1,688	—%
Total Service Revenue	7,227,461	8,132,354	(904,893)	(11.1)%
Total Sales	$22,470,837	$27,710,542	$(5,239,705)	(18.9)%

Wall Panel Sales – Wall panel sales are generally medium to large contracts issued by general contractors for production and delivery of a specific wall panel product for a specific construction project. Changes in the mix of wall panel sales depend on what contracts are in production during the period. Soundwall sales increased by 21% in 2014 over 2013 due primarily to a large soundwall contract for a road project started in mid 2013 and ending in late 2014. In addition, there were three more soundwall projects in production during 2014 as compared to 2013. The Company is currently producing another large soundwall contract that should complete in early 2016. Architectural sales declined by 56% in 2014 over 2013 due to the lack of competitively priced projects available in the Company's geographical sales area during 2014. The Company has seen a slight increase in Architectural projects bidding and at slightly less competitive prices over the past several months. The Company has been awarded two new Architectural projects that are now in production. Management expects Architectural revenue to increase in 2015 when compared to 2014. Slenderwall™ sales decreased significantly in 2014 when compared to 2013. The Company had only one large Slenderwall™ project in production during 2014, however, the Company has been awarded four additional projects with total contract prices in excess of $5.0 million, all of which will be in production by the end of the second quarter of 2015. The Company has also bid on several Slenderwall projects recently and expects to be awarded one or more of these contracts. Miscellaneous wall sales are mainly retaining walls which are used to hold back earth on sloped land. These types of projects decreased by 37% in 2014 when compared to 2013, due mainly to the lack of projects being bid by general contractors in the Company's geographical sales area. Management expects that these types of job will increase slightly in 2015.

Barrier Sales – Barrier sales are dependent on the number of highway projects active during the period and whether customers are more prone to buy barrier than to rent. In 2014 barrier sales decreased by $949,759 from the previous year. The decrease relates primarily to the continued weakness in major highway project funding during 2014. While the Company has seen an increase in highway projects being bid, it is difficult to tell how long this trend will last relating to highway safety barrier sales so as a result, management's expectations for highway safety barrier revenue in 2015 is to remain consistent with that of 2014.

Beach Prisms – The Company made its first sale of beach prisms in 2009 and continued to make minor sales in the following years, including 2014. The Company is still in the process of seeking to acquire the necessary permits from the states of Maryland and Virginia, which has been more difficult than originally estimated. The Company did receive a permit in the state of Virginia during 2011 and anticipates that further permits will occur and additional sales will be forthcoming, however, this cannot be assured. The Company sold $59,000 in Beach Prisms in the state of New Jersey in 2013 to a local governmental entity to assist with the recovery from hurricane Sandy. Several projects are in the permit phase, and if granted, will result in sales. Future sales of Beach Prisms cannot be accurately predicted because of continued difficulty in obtaining the needed state permits.

Easi-Set® and Easi-Span® Building Sales – The Easi-Set® buildings program now includes Easi-Set®, plant assembled and Easi-Span®, site assembled, and an extensive line of pre-engineered restrooms. Building sales increased by 6% in 2014 compared to 2013. The increase in sales was primarily due to the sale of several large restroom buildings as well as several large Easi-Span® buildings. The Company continues to expand and improve its proprietary line of restroom buildings for parks, athletic fields and other outdoor venues and is continuing to market these products with a highly visible advertising campaign. Bidding activity for buildings and restrooms continued to increase during 2014 and management believes that 2015 will see a sizable increase in Easi-Set® buildings and restrooms.

Utility and Farm Sales – Utility and farm products are mainly underground utility vaults used in infrastructure construction and consequently, when construction is weak so are utility vault sales. Utility and farm product sales decreased by 3% in 2014 compared to 2013. The Company continues to see more bidding opportunities for utility products and as a result was awarded a large manhole contract to be produced in 2015, and continues to believe this activity will lead to increased sales in 2015. The recently funded highway Soundwall projects discussed above also require utility vaults for underground placement of utilities and the Company is bidding on the included vault projects.

Miscellaneous Product Sales – Miscellaneous products are products that are produced and sold that do not meet the criteria defined for other revenue categories, examples would include underground steam tunnels, highway slabs or bridge slabs. For 2014, miscellaneous sales increased by 56% when compared to 2013. The increase was due primarily to the production of two miscellaneous projects, one for large retaining wall panels, and the other for concrete waterfront bulkhead panels. In addition, the Company was recently awarded a concrete parapet project to begin production in the third quarter of 2015, with the total contract price exceeding $2.0 million.

Royalty Income – Royalty revenues increased by 3% in 2014, with building royalties increasing over those of 2013, and barrier royalties dipping slightly when compared to 2013. The other royalty product lines remained relatively flat when comparing 2014 to 2013. The Company did not sign any new licensees during 2014 and it lost one licensee during the year. Management is currently in discussions with several precast companies regarding the issuance of new licenses. Based on currently reporting licensees, management believes that royalties will continue on an upward trend in 2015.

Barrier Rentals – Barrier rentals decreased by 41% in 2014 when compared to 2013, as the Company was awarded the contract to supply rental barrier for the Presidential Inauguration held in Washington, D.C during January 2013. When not including the Presidential Inauguration rental, annual rentals actually increased slightly in 2014 over 2013. Management believes barrier rentals will continue to increase in 2015 over that of 2014, due to increased activity in the Company's geographical area on several highway projects now underway. The Company continues to pursue its rental barrier expansion plans for its local geographical sales area.

Shipping and Installation – Shipping revenue is earned when the product sold is physically shipped to the customer and in many instances, shipping does not occur until the customer is ready to begin installation. Installation revenue is not earned until the wall panels, in the case of architectural or Slenderwall contracts, are physically attached to the building; and in the case of our Easi-Set buildings, until the building is assembled and on site. Shipping and installation revenue remained relatively flat during 2014 when compared to 2013. While the total shipping and installation revenue remained relatively flat for 2014 and 2013, shipping revenue was higher in 2014 than in 2013, the reverse was true for installation in 2014 and 2013. With stronger sales expected in 2015, management believes that shipping and installation will increase in 2015 as well.

Cost of Goods Sold – Total cost of goods sold for the year ended December 31, 2014 was $18,625,035 a decrease of $2,513,593, or 12%, from $21,138,628 for the year ended December 31, 2013. Total cost of goods sold, as a percentage of total revenue increased to 83% for the year ended December 31, 2014 from 76% for the year ended December 31, 2013. The increase in the cost of sold as a percentage of total revenue was, in part, because of the decrease in production and sales for the period while fixed overhead costs remained relatively flat. Raw material costs increased slightly in 2014 over 2013 with very little inflationary pressures for the Company. In early 2014, the Company continued to encounter aggressive pricing by its competitors on many of its product lines, negatively affecting its gross margin, however, during the latter part of 2014, the Company began to see more bids available and a lessening of competitive pricing by its competitors. The Company is actively seeking new vendor partnerships to help develop a price advantage for its raw materials as well as a continuous supply of these materials. Management continues to improve its effectiveness through the use of lean manufacturing principals.

General and Administrative Expenses – For the year ended December 31, 2014, the Company's general and administrative expenses decreased by $108,568, or 4%, to $2,979,835 from $3,088,403 during the same period in 2013. The decrease in general and administrative expenses resulted primarily from a decrease in use tax expense and general office expenses partially offset by an increase in employee costs. General and administrative expense as a percent of total revenue were 13% for the year ended December 31, 2014 and 11% for the year ended December 31, 2013.

Selling Expenses – Selling expenses for the year ended December 31, 2014 decreased by $104,568, or 5%, to $2,218,269 from $2,322,837 for the year ended December 31, 2013. The decrease was due to a decrease sales salaries and commissions, a decrease in advertising expense and a decrease in general and miscellaneous expenses.

Operating Income – The Company had an operating loss for the year ended December 31, 2014 of $1,194,936 compared to operating income of $1,279,670 for the year ended December 31, 2013, a decrease of $2,474,606. The decrease in operating income was primarily the result of a significant decrease in sales and an increase in the cost of goods sold for year ended December 31, 2014 as a percentage of revenue as discussed above.

Interest Expense – Interest expense was $116,229 for the year ended December 31, 2014 compared to $132,026 for the year ended December 31, 2013. The decrease of $15,797, or 12%, was due primarily to lower balances on notes payable outstanding.

Income Tax Expense – The Company had an income tax benefit of $498,000 for the year ended December 31, 2014 compared to an income tax expense of $391,000 for the year ended December 31, 2013, due to the pretax loss in 2014. The Company had an effective rate of 38% for the year ended December 31, 2014 compared to an effective rate of 36% for the same period in 2013. The changes in the tax expense for the periods correlated to the change in pre-tax income.

Net Income – The Company had a net loss of $804,838 for the year ended December 31, 2014, compared to net income of $691,502 for the same period in 2013. The basic and diluted loss per share for 2014 was $0.16, compared to basic and diluted net earnings per share of $0.14 for the year ended December 31, 2013. There were 4,881,548 basic and diluted weighted average shares outstanding in 2014 and 4,839,205 basic and 4,880,453 diluted weighted average shares outstanding in the 2013.

Liquidity and Capital Resources

The Company financed its capital expenditures and operating requirements in 2014 with cash flows from operations, cash balances on hand and notes payable to the Bank.

The Company has a note payable to Summit Community Bank (the “Bank”), with a balance of $1,814,825 as of December 31, 2014. The note has a term of approximately eight years and a fixed interest rate of 3.99% annually with monthly payments of $25,642 and is secured by principally all of the assets of the Company. Under the terms of the note, the Bank will permit chattel mortgages on purchased equipment not to exceed $250,000 for any one individual loan so long as the Company is not in default. Also, the Company is limited to $1,000,000 for annual capital expenditures. At December 31, 2014, the Company was in compliance with all covenants pursuant to the loan agreement as amended except for the payment of cash dividends on December 31, 2014, for which the Company received approval prior to payment.

In addition to the note payable discussed above, the Company also has a $2,000,000 line of credit with the Bank, of which none was outstanding at December 31, 2014. The line of credit is evidenced by a commercial revolving promissory note which carries a variable interest rate of prime and matures on September 12, 2015. The loan is collateralized by a first lien position on the Company's accounts receivable and inventory and a second lien position on all other business assets. Key provisions of the line of credit require the Company, (i) to obtain bank approval for capital expenditures in excess of $1,000,000 during the term of the loan; (ii) to obtain bank approval prior to its funding any acquisition and (iii) to obtain bank approval prior to the payment of cash dividends on the Company's common stock. On October 12, 2014 the Company received a Commitment Letter from the Bank to provide a guidance line of credit specifically to purchase business equipment in an amount up to $1,000,000. The commitment provides for the purchase of equipment with minimum advances of $50,000 for which a note payable will be executed with a term not to exceed five years with an interest rate at the Wall Street Journal prime rate plus .5% with a floor of 4.49% per annum. The loan is collateralized by a first lien position on all equipment purchased under the line. The commitment for the guidance line of credit matures on October 13, 2015.

At December 31, 2014, the Company had cash totaling $3,572,405 and $1,013,417 of investment securities available for sale compared to cash totaling $3,136,063 and $915,341 of investment securities available for sale at December 31, 2013. During 2014, the Company's operating activities provided $1,426,351 due mainly to changes in current asset and current liability accounts during 2014. The significant decrease in accounts receivable during 2014 resulted from two large customers that were delinquent in 2013 and paid their accounts current in 2014 and a significant reduction in sales during the third and fourth quarters of 2014 compared to the same periods in 2013. In 2014, investing activities used $498,049 primarily for the purchase of investment securities available for sale and the purchase of capital equipment. Financing activities used $491,960 in cash in 2014, which resulted primarily from the repayment of notes payable and the payment of a cash dividend in the amount of $174,239.

Capital spending, including financed additions, decreased from $908,609 in 2013 to $465,826 in 2014. Capital expenditures in 2014 included spending for vehicles, rental barrier and manufacturing equipment. In 2015, the Company intends to continue to make capital improvements which may include cranes, vehicles, manufacturing equipment and other items as necessary. The Company anticipates capital spending for 2015 to be approximately $750,000.

The Company's cash flow from operations is affected by production schedules set by contractors, which generally provide for payment 45 to 75 days after the products are produced and with some architectural contracts, retainage may be held until the entire project is completed. This payment schedule could result in liquidity problems for the Company because it must bear the cost of production for its products before it receives payment. The Company's days sales outstanding (DSO) in 2014 was 88 days compared to 91 days in 2013. The decrease in the DSO is due primarily to more aggressive collection activities during the year. Although no assurance can be given, the Company believes that anticipated cash flow from operations with adequate project management on jobs will be sufficient to finance the Company's operations and necessary capital expenditures for at least the next 12 months.

The Company's inventory at December 31, 2014 was $1,726,544 and at December 31, 2013 was $1,939,478, a decrease of $212,934. The annual inventory turns for 2014 and 2013 were 10.8 and 7.9, respectively.

Significant Accounting Policies and Estimates

The Company's significant accounting policies are more fully described in its Summary of Accounting Policies to the Company's consolidated financial statements. The preparation of financial statements in conformity with accounting principles generally accepted within the United States of America requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying financial statements and related notes. In preparing these consolidated financial statements, management has made its best estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below, however, application of these accounting policies involves the exercise of judgment and the use of assumptions as to future uncertainties and as a result, actual results could differ from these estimates.

The Company evaluates the adequacy of its allowance for doubtful accounts at the end of each quarter. In performing this evaluation, the Company analyzes the payment history of its significant past due accounts, subsequent cash collections on these accounts and comparative accounts receivable aging statistics. Based on this information, along with other related factors, the Company develops what it considers to be a reasonable estimate of the uncollectible amounts included in accounts receivable. This estimate involves significant judgment by the management of the Company. Actual uncollectible amounts may differ from the Company's estimate.

The Company recognizes revenue on the sale of its standard precast concrete products at shipment date, including revenue derived from any projects to be completed under short-term contracts. Installation services for precast concrete products, leasing and royalties are recognized as revenue as they are earned on an accrual basis. Licensing fees are recognized under the accrual method unless collectability is in doubt, in which event revenue is recognized as cash is received. Certain sales of Soundwall, Slenderwall, and other architectural concrete products are recognized upon completion of units produced under long-term contracts. When necessary, provisions for estimated losses on these contracts are made in the period in which such losses are determined. Changes in job performance, conditions and contract settlements that affect profit are recognized in the period in which the changes occur. Unbilled trade accounts receivable represents revenue earned on units produced and not yet billed.

Seasonality

The Company services the construction industry primarily in areas of the United States where construction activity may be inhibited by adverse weather during the winter. As a result, the Company may experience reduced revenues from December through February and realize the substantial part of its revenues during the other months of the year. The Company may experience lower profits, or losses, during the winter months, and as such, must have sufficient working capital to fund its operations at a reduced level until the spring construction season. The failure to generate or obtain sufficient working capital during the winter may have a material adverse effect on the Company.

Inflation

Management believes that the Company's operations were not significantly affected by inflation in 2014 and 2013, particularly in the purchases of certain raw materials such as steel and fuel. The Company believes that raw material pricing will see some modest increases in 2015 as the economy continues its recovery, although no assurance can be given regarding future pricing.

Other Comments

As of March 4, 2015 the Company's sales backlog of inventoried products and unbilled construction contracts was approximately $12.9 million as compared to approximately $10.6 million at approximately the same time in 2014. The increase in the backlog relates to the Company's continued emphasis on its proprietary product, Slenderwall. A substantial majority of the projects relating to the sales backlog as of March 4, 2015 are scheduled to be shipped during 2015.

The Company also maintains a regularly occurring repeat customer business, which should be considered in addition to the orders in the sales backlog described above. These orders typically have a quick turn around and represent purchases of the Company’s inventoried standard products, such as highway safety barrier, utility and Easi-Set building products. Historically, this regularly occurring segment of our customer base is equal to approximately $5,000,000 to $7,000,000 annually.

The risk exists that recessionary economic conditions may adversely affect the Company more than it has experienced to date. To mitigate these economic and other risks, the Company has a broader product offering than most competitors and has historically been a leader in innovation and new product development in the industry. The Company is continuing this strategy through the development, marketing and sales efforts for its new products. The Company continues it lean efforts for both manufacturing and administrative activities and made great strides in moving forward during 2014. Management has made a broader commitment to lean in 2015 by entering an agreement with a prior Toyota production manager to assist the Company in its lean journey.

The Company is continuing its marketing, advertising and promotional efforts for both Beach Prisms™, a shoreline erosion control product that uses the preferred natural "soft" approach as opposed to the "hard" approach of seawalls and jetties, to solve this worldwide problem and H2Out™, the world’s first “in the caulk joint” secondary drainage and street level leak detection product for panelized exterior cladding. While the Company has received a permit to install Beach Prisms™ at a specific site in Virginia, the Company is still in the process of seeking to secure additional site permit approvals in Virginia and the support of the appropriate environmental agencies in neighboring states for its Beach Prisms™. Although the Company is optimistic about the success of Beach Prisms™ and H2Out™, there can be no assurance of the commercial acceptance of these products.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements, which appear at the back portion of the report, are filed as part of this report:

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. This process includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer of the Company assessed the effectiveness of our internal control over financial reporting based on the framework in "Internal Control – Integrated Framework (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as of December 31, 2014, and concluded that its controls were effective as of such date.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the Securities and Exchange Commission rules that permit the Company to provide only management's report in this annual report.

Disclosure controls and procedures

We carried out our evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on our evaluation, our principal executive officer and chief financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information with respect to our Directors and executive officers is set forth below.

Name	Age	Director or Executive Officer Since	Position
Rodney I. Smith	76	1970	Chief Executive Officer and Chairman of the Board of Directors
Ashley B. Smith	52	1994	President and Director
Wesley A. Taylor	67	1994	Vice President of Administration, Secretary and Director
G. E. "Nick" Borst	74	2013	Director
William A. Kenter	68	2008	Chief Financial Officer

Background

The following is a brief summary of the background of each Director and executive officer of the Company:

Rodney I. Smith. Chairman of the Board of Directors, Chief Executive Officer. Rodney I. Smith co-founded the Company in 1960 and became its President and Chief Executive Officer in 1965. He has served on the Board of Directors and has been its Chairman since 1970. Mr. Smith is the principal developer and inventor of the Company's proprietary and patented products. He is the past President of the National Precast Concrete Association. Mr. Smith has served on the Board of Trustees of Bridgewater College in Bridgewater, Virginia since 1986. The Company believes that Mr. Smith's extensive experience in the precast concrete products industry and his knowledge of the marketplace gives him the qualifications and skills necessary to serve in the capacity as the Chairman of the Board of Directors.

Ashley B. Smith. President and Director. Ashley B. Smith has served as President of the Company since 2012 and as the Vice President of the Company from 1990 to 2011 and as a Director since 1994. Mr. Smith holds a Bachelor of Science degree in Business Administration from Bridgewater College. Mr. Ashley B. Smith is the son of Mr. Rodney I. Smith. The Company believes that Mr. Smith's education, experience in the precast concrete industry and business experience give him the qualifications and skills necessary to serve in the capacity as a director.

Wesley A. Taylor. Vice President of Administration and Director. Wesley A. Taylor has served as Vice President of Administration of the Company since 1989 and as a Director since 1994, and previously held positions as Controller and Director of Personnel and Administration. Mr. Taylor holds a Bachelor of Arts degree from Northwestern State University. The Company believes that Mr. Taylor's education, business experience and his extensive experience in the precast concrete industry gives him the qualifications and skills necessary to serve in the capacity as a director.

G. E. (Nick) Borst. Director. G. E. Nick Borst served as an member of the Board of Directors of the Company since 2013. For more than the past five years, Mr. Borst has been engaged in the private practice of law, advising clients in corporate legal matters. Prior thereto, he served as a trial attorney with the federal government. Mr. Borst previously served as president of the Fauquier County Bar Association and as a three-year treasurer of the Fauquier County Chamber of Commerce. In private law practice, Mr. Borst advised clients on business organization and governance. Mr. Borst is also a co-founder and past president of Hospice of Fauquier County and is co-founder and long-time board member of Verdun Adventure Bound, an organization that provides experiential learning programs to over 2,000 young people a year. The Company believes that Mr. Borst's current and past business-related experience provides him with the knowledge and skills necessary to serve in the capacity as a director of the Company.

William A. Kenter. Chief Financial Officer. William A. Kenter has served as Chief Financial Officer of the Company since September 2008. Prior to joining the Company, Mr. Kenter was Controller for the Mount Vernon Printing division of Consolidated Graphics, Inc., a commercial printing company, from September 2007 to September 2008. Mr. Kenter served as President and CEO of PenGraphix Printing Solutions, a commercial printing company, from January 2000 to August 2007.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) (“Section 16(a)”) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires executive officers and Directors and persons who beneficially own more than ten percent (10%) of the Company’s Common Stock to file initial reports of ownership on Form 3 and reports of changes in ownership on Form 4 with the Securities and Exchange Commission (the “Commission”) and any national securities exchange on which the Corporation’s securities are registered.

Based solely on a review of the copies of such forms furnished to the Company, the Company believes that all Section 16(a) filing requirements applicable to its executive officers, Directors and greater than ten percent (10%) beneficial owners were satisfied during 2014.

Code of Ethics

The Company adopted a code of ethics that applies to the Chief Executive Officer, Chief Financial Officer, Accounting Manager and persons performing similar functions. The Board of Directors approved the code of ethics at their meeting on December 17, 2003. A copy of the code of ethics was filed as an exhibit to the Company’s Form 10-KSB for the year ended December 31, 2003, and a copy may be obtained without charge by requesting one in writing from Secretary, Smith-Midland Corporation, P.O. Box 300, 5119 Catlett Road, Midland, VA 22728.

Audit Committee

The Company does not currently have a separately-designated standing Audit Committee or a committee performing similar functions. The board of directors as a whole performs the required functions of an audit committee. The Company's board of directors has determined that it does not have an "audit committee financial expert". Management believes that the costs related to retaining a financial expert are prohibitive at this time.

Item 11. Executive Compensation

The following table sets forth the compensation paid by the Company for services rendered for 2014 and 2013 to the principal executive officer and the Company's two most highly compensated executive officers other than the principal executive officer (the "named executive officers") as of the end of 2014:

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)	Option Awards ($)	Non Eq-uity Incentive Plan Compen-sation ($)	Non qual-ified Deferred Compen-sation Earning ($)	All Other Compen-sation ($)	Total ($)
Rodney I. Smith	2014	108,767	—					102,000	210,767
Chief Executive Officer and Chairman of the Board (3)	2013	119,547	59,733				23,400	104,000	306,680
Ashley B. Smith	2014	137,385	1,500					3,000	141,885
President (4)	2013	144,389	—					3,000	147,389
William A. Kenter	2014	108,197	—					—	108,197
Chief Financial Officer	2013	113,026	—					—	113,026

(1) Represents salaries paid in 2014 and 2013 for services provided by each named executive officer serving in the capacity listed. Salaries of all executive officers were reduced in early 2013 and repaid in part and reinstated at the end of 2013.

(2) Represents amounts paid for annual performance-based bonus related to operations for the same year.

(3) Mr. Rodney Smith was paid $99,000 in each of 2014 and 2013, which is included in the column titled "All Other Compensation", for royalty payments due under his employment contract with the Company, which is more fully described in the following section titled "Employment Contracts and Termination of Employment and Change in Control Arrangements". Mr. Rodney Smith received director's compensation in the amount of $3,000 and $4,000 for the years 2014 and 2013, respectively.

(4) Mr. Ashley Smith received director's compensation in the amount of $3,000 for each of the years 2014 and 2013.

Outstanding Equity Awards At Fiscal Year-End

The following table sets forth information for the named executive officers regarding any common share purchase options, stock awards or equity incentive plan awards that were outstanding as of December 31, 2014.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/Sh)	Option Expiration Date
Rodney I. Smith	20,000	—	2.52	9/29/2015
	20,000	—	2.25	5/21/2016
	20,000	—	2.15	5/21/2017
	40,000	—	1.21	6/29/2018
TOTAL	100,000	—		
Ashley B. Smith	10,000	—	2.52	9/29/2015
	7,000	—	2.25	5/21/2016
	7,000	—	2.15	5/21/2017
	14,800	—	1.21	6/29/2018
TOTAL	38,800	—		
TOTAL	138,800	—		

All stock options vest on a prorated basis annually over three years from the date of grant and expire ten years from the date of grant.

Compensation of Directors

All Directors receive $1,000 per meeting as compensation for their services as Directors and are reimbursed for expenses incurred in connection with the performance of their duties.

Fiscal 2014 Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation	Non-Qualified Deferred Compen-sation Earnings	All Other Compen-sation	Total ($)	
Rodney I. Smith	3,000	—	—	—	—	—	3,000	(1)
Ashley B. Smith	3,000	—	—	—	—	—	3,000	(1)
Wesley A. Taylor	3,000	—	—	—	—	—	3,000	
Frederick L. Russell, Jr. (2)	1,000	—	—	—	—	—	1,000	
G. E. "Nick" Borst	3,000	—	—	—	—	—	3,000	

(1) Reflected in Summary Compensation Table above.

(2) Mr. Russell resigned from the board effective June 2014 and attended one meeting in 2014.

Employment Contracts and Termination of Employment and Change in Control Arrangements.

The Company entered into a four-year Employment Agreement with Rodney I. Smith, its current Chief Executive Officer, effective as of September 30, 2002. The term of employment automatically renews commencing on the date one year after the effective date, and on an annual basis thereafter, for an additional one year, unless earlier terminated or not renewed as provided for therein. The agreement provides for an annual base salary of $99,000 (“Base Salary”), which is reviewed at least annually and adjusted from time to time at the determination of the Board of Directors. It also provides for an annual royalty fee of $99,000 payable as consideration for Mr. Smith’s assignment to the Company of all of his rights, title and interest in and to the Patents (as defined in the agreement). Payment of the royalty continues only for as long as the Company is using the inventions underlying the Patents. Mr. Smith is also entitled to a performance-based bonus as determined by the Board each calendar year.

Mr. Smith's employment agreement provides further that if Mr. Smith (i) voluntarily leaves the employ of the Company within six months of his becoming aware of a Change of Control (as defined in the agreement) of the Company, then he shall be entitled to receive a lump sum amount equal to three times the five-year average of his combined total annual compensation, which includes the Base Salary and bonus, less one dollar ($1.00), and certain other unpaid accrued amounts as of the date of his termination, or (ii) is terminated by the Company without Cause (as defined in the agreement) or leaves the Company with Good Reason (as defined in the agreement), Mr. Smith shall be entitled to a lump sum payment equal to three times the combined Base Salary and bonus paid during the immediately preceding calendar year, and such other unpaid accrued amounts. In any of such cases, the Company will provide Mr. Smith with certain Company fringe benefits for two years, subject to certain conditions as provided for in the agreement, and all of Mr. Smith's unvested options to purchase Company stock shall become fully vested and exercisable on the date of termination. Mr. Smith will be entitled to exercise all such options for three years from the date of termination. The Company will have no further obligations to Mr. Smith, other than with respect to the payment of royalties.

In the event Mr. Smith's employment by the Company is terminated as a result of Mr. Smith's (i) death, his estate shall be entitled to a lump sum payment of one times the combined Base Salary and bonus, and certain other accrued and unpaid amounts, or (ii) disability, Mr. Smith shall be entitled to Base Salary and bonus for a period of one year commencing with the date of termination, and all other unpaid accrued amounts.

In the event Mr. Smith's employment is terminated for cause or Mr. Smith voluntarily leaves the employ of the Company for no reason, Mr. Smith shall be entitled to accrued but unpaid Base Salary and Bonus up to the date of termination, and all other unpaid amounts.

The employment agreement also contains Non-competition and Non-solicitation covenants for one year following Mr. Smith's termination of employment for any reason.

On December 31, 2008, the board of directors approved an amendment to the Employment Agreement to include changes required to be in compliance with Section 409A, nonqualified deferred compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of March 4, 2015, certain information concerning ownership of the Company's Common Stock by (i) each person known by the Company to own of record or be the beneficial owner of more than five percent (5%) of the Company's Common Stock, (ii) named executive officers and Directors, and (iii) all Directors and Executive Officers as a group. Except as otherwise indicated, the stockholders listed in the table have sole voting and investment powers with respect to the shares indicated.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned (2)	Percentage of Class
Rodney I. Smith (1)(3)(4)(5)	773,398	15.6%
Ashley B. Smith (1)(3)(4)(6)	163,417	3.3%
Wesley A. Taylor (1)(7)	62,750	1.3%
G. E. "Nick" Borst (8)	81,000	1.7%
William A. Kenter (1)	—	—
Tall Cotton Partners, LLC (9)	567,363	11.7%
Henry Investment Trust, L.P. (10)	461,000	9.5%
Wax Asset Management, LLC (11)	376,683	7.8%
All directors and executive officers as a group (5 persons)(2)(12)	1,080,565	21.5%

(1) The address for each of Messrs. Rodney I. Smith, Ashley B. Smith, Wesley A. Taylor and William A. Kenter is c/o Smith-Midland Corporation, P.O. Box 300, 5119 Catlett Road, Midland, Virginia 22728.

(2) Pursuant to the rules and regulations of the Securities and Exchange Commission, shares of Common Stock that an individual or group has a right to acquire within 60 days pursuant to the exercise of options or warrants are deemed to be outstanding for the purposes of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

(3) Ashley B. Smith is the son of Rodney I. Smith. Each of Rodney I. Smith and Ashley B. Smith disclaims beneficial ownership of the other’s shares of Common Stock.

(4) Does not include options to purchase 16,000 shares held by Matthew Smith and Roderick Smith and an aggregate of 86,489 shares of Common Stock held by Matthew Smith and Roderick Smith. Matthew Smith and Roderick Smith are sons of Rodney I. Smith, and brothers of Ashley B. Smith. Also, does not include shares held by Merry Robin Bachetti, sister of Rodney I. Smith and aunt of Ashley B. Smith, for which each of Rodney I. Smith and Ashley B. Smith disclaims beneficial ownership.

(5) Includes 20,000 shares of Common Stock held by Hazel Bowling, former wife of Rodney I. Smith, and mother of Mr. Smith’s children. Mr. Smith disclaims beneficial ownership of the shares held by Hazel Bowling. Includes options to purchase 100,000 shares.

(6) Includes options to purchase 38,800 shares.

(7) Includes options to purchase 31,000 shares.

(8) Address of holder is P.O. Box 351, Ophelia, VA 22530.

(9) Address of holder is 1801 Libbie Avenue, Suite 201, Richmond, VA 23226.

(10) Henry Investment Trust, L.P. is the sole general partner of each of Henry Partners, L.P. and Matthew Partners, L.P. and may be deemed to beneficially own 237,200 shares held by Henry Partners, L.P. and 193,800 shares held by Matthew Partners, L.P. Address of holder is 255 South 17th Street, Suite 2608, Philadelphia, PA 19103.

(11) Address of holder is 45 Prospect Street, Greenwich, CT 06830.

(12) Includes options to purchase 169,800 shares for all directors and executive officers as a group.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information as of December 31, 2014, regarding the Company's equity compensation plans.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	305,099	1.97	500,000
Equity compensation plans not approved by security holders	—	—	—
Total	305,099	1.97	500,000

(1) A brief description of the Company's 2008 Stock Option Plan is contained in Note 6 of the Notes to Consolidated Financial Statements.

Item 13. Certain Relationships and Related Transactions, and Director Independence

There is one independent director of the Company, Mr. G.E. "Nick" Borst. The test utilized for the determination of independence is that of the New York Stock Exchange.

On an ongoing basis, the Company reviews all “related party transactions” (those transactions that are required to be disclosed by SEC Regulation S-K, Item 404), if any, for potential conflicts of interest and all such transactions must be approved by the Board of Directors. No transactions meet the criteria for disclosure.

Item 14. Principal Accountant Fees and Services

The aggregate fees billed for each of the past two fiscal years for professional services rendered by BDO USA, LLP, the principal accountant for the audit of the Company; for assurance and related services related to the audit; for tax compliance, tax advice, and tax planning; and for all other fees for products and services are shown in the table below.

Audit Fees. Fees charged as audit fees are for the audit of the Company’s annual financial statements and review of financial statements included in the Company’s Forms 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. Fees paid to BDO USA, LLP for the audit of the Company's 401(k) benefit plan.

Tax Fees. Tax fees are for professional services rendered by BDO USA, LLP for tax compliance, tax advice, and tax planning.

The Company currently does not have a separate standing Audit Committee as it has only one outside board member; the entire board of directors acts as the audit committee. Mr. Borst is considered to be independent when using the definition of the New York Stock Exchange.

	2014	2013
Audit Fees	$134,800	$135,800
Tax Fees	24,754	25,991
Audit-Related Fees	13,650	5,450
Total Fees	$173,204	$167,241

PART IV

Item 15. Exhibits and Financial Statements Schedules

(1) The financial statements of the Company are included in Part II, Item 8, page 16 of this Form 10-K/A
(2) Schedules have been omitted since they are either not applicable, not required or the information is included elsewhere herein.
(3) The following exhibits are filed herewith:

Exhibit Number	Description
3.1	Certificate of Incorporation, as amended (Incorporated by reference to the Company's Registration Statement on Form SB-2 (No. 33-89312) declared effective by the Commission on December 13, 1995).
3.2	Bylaws of the Company adopted on January 21, 2003 (Incorporated by reference to the Company's Registration Statement on Form 8-A (No. 000-25964) filed with the Commission on January 24, 2003).
4.1	Specimen Common Stock Certificate (Incorporated by reference to the Company's Registration Statement on Form SB-2 (No. 33-89312) declared effective by the Commission on December 13, 1995).
10.1	Lease Agreement, dated January 1, 1995, between the Company and Rodney I. Smith (Incorporated by reference to the Company's Registration Statement on Form SB-2 (No. 33-89312) declared effective by the Commission on December 13, 1995).
10.2	Collateral Assignment of Letters Patent, dated between the Company and Rodney I. Smith (Incorporated by reference to the Company's Registration Form SB-2 (No. 33-89312) declared effective by the Commission on December 13, 1995).
10.3	Employment Agreement, dated September 30, 2002, between the Company and Rodney I. Smith. (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003).
10.4	Amendment No. 1 to Employment Agreement, dated as of December 31, 2008, between the Company and Rodney I. Smith (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2008).
10.5	2004 Stock Option Plan (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004).
10.6	2008 Stock Option Plan (Incorporated by reference to the Company's Registration Statement on Form S-8 (No. 333-155920) filed on December 4, 2008).
10.7	Promissory Note, dated April 20, 2011 and executed on April 26, 2011, in the amount of $575,000 issued by the Company to Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2011).

10.8	A Credit Line Deed of Trust, dated April 20, 2011 and executed on April 26, 2011, between the Company and Summit Commit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2011).
10.9	Promissory Note, dated September 12, 2013, in the amount of $2,100,000 issued by the Company to Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 18, 2013).

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10.10	Promissory Note, dated September 12, 2014, in the amount of $2,000,000 issued by the Company to Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2015).
10.11	Commitment Letter, dated October 12, 2014, related to the Company's line of credit in the amount of $2,000,000 with Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2015).
10.12	Commercial Loan Application - Summary, dated August 1, 2014, related to the Company's line of credit in the amount of $2,000,000 with Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2015).
10.13	Commercial Security Agreement, dated September 12, 2014, between the Company, as debtor, and Summit Community Bank, as secured party, related to Company's line of credit in the amount of $2,000,000 with Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2015).
10.14	Commitment Letter, dated October 12, 2014, related to the Company's guidance line of credit in the amount of $1,000,000 with Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2015).
10.15	Commercial Loan Application - Summary, dated August 1, 2014, related to the Company's guidance line of credit in the amount of $1,000,000 with Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 19, 2015).
14.1	Code of Professional Conduct (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003).
21.1	List of Subsidiaries of the Company (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1995).
23.1*	Consent of BDO USA, LLP.
31.1**	Certification of Chief Executive Officer.
31.2**	Certification of Principal Financial Officer.
32.1**	Certification pursuant 18 U.S.C. Section 1350 as adapted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Included in original filing of the Annual Report on Form 10-K for the year ended December 31, 2014 and incorporated herein by reference.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SMITH-MIDLAND CORPORATION

Date:	January 8, 2016	By:	/s/ Rodney I. Smith Rodney I. Smith, CEO (principal executive officer)
Date:	January 8, 2016	By:	/s/ William A. Kenter William A. Kenter, CFO (principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Capacity	Date
/s/ Rodney I. Smith Rodney I. Smith	Director	January 8, 2016
/s/ Wesley A. Taylor Wesley A. Taylor	Director	January 8, 2016
/s/ Ashley B. Smith Ashley B. Smith	Director	January 8, 2016
/s/ G. E. Borst G. E. Borst	Director	January 8, 2016

Smith-Midland Corporation
and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2014 and 2013

Smith-Midland Corporation
and Subsidiaries

Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Smith-Midland Corporation
Midland, Virginia

We have audited the accompanying consolidated balance sheets of Smith-Midland Corporation and subsidiaries as of December 31, 2014 and 2013 and the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Smith-Midland Corporation and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/BDO USA, LLP

Richmond, Virginia
March 31, 2015

Smith-Midland Corporation
and Subsidiaries

Consolidated Balance Sheets

	December 31, 2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	$3,572,405	$3,136,063
Investment securities, available-for-sale, at fair value	1,013,417	915,341
Accounts receivable, net		
Trade - billed, (less allowance for doubtful accounts of $267,985 and $285,305)	4,092,924	7,296,792
Trade - unbilled	240,635	41,859
Inventories, net		
Raw materials	353,089	861,129
Finished goods	1,373,455	1,078,349
Prepaid expenses and other assets	126,047	231,365
Refundable income taxes	722,948	—
Deferred taxes (Note 4)	441,000	475,000
Total current assets	11,935,920	14,035,898
Property and equipment, net (Note 1)	4,106,611	4,322,995
Other assets	255,385	297,915
Total assets	$16,297,916	$18,656,808

See accompanying summary of accounting policies and notes to consolidated financial statements.

Smith-Midland Corporation
and Subsidiaries

Consolidated Balance Sheets
(continued)

	December 31, 2014	2013
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable - trade	$1,152,506	$1,517,625
Accrued expenses and other liabilities	539,549	927,829
Accrued compensation	442,651	403,846
Income taxes payable	—	302,263
Current maturities of notes payable (Note 2)	363,821	364,204
Customer deposits	432,274	547,789
Total current liabilities	2,930,801	4,063,556
Notes payable - less current maturities (Note 2)	2,230,364	2,544,809
Deferred tax liability (Note 4)	663,000	630,000
Total liabilities	5,824,165	7,238,365
Commitments and contingencies (Note 8)	—	—
Stockholders' equity (Note 6)		
Preferred stock, $.01 par value; authorized 1,000,000 shares, none outstanding	—	—
Common stock, $.01 par value; authorized 8,000,000 shares; 4,881,548 issued	48,815	48,815
Additional paid-in capital	5,041,438	5,041,438
Accumulated other comprehensive loss	(6,629)	(41,014)
Retained earnings	5,492,427	6,471,504
	10,576,051	11,520,743
Treasury stock, at cost, 40,920 shares	(102,300)	(102,300)
Total stockholders' equity	10,473,751	11,418,443
Total liabilities and stockholders' equity	$16,297,916	$18,656,808

See accompanying summary of accounting policies and notes to consolidated financial statements.

Smith-Midland Corporation
and Subsidiaries

Consolidated Statements of Income (Loss)

	Year Ended December 31, 2014	2013
Revenue		
Products sales and leasing	$16,609,047	$21,897,695
Shipping and installation revenue	4,269,157	4,267,469
Royalties	1,592,633	1,545,378
Total revenue	22,470,837	27,710,542
Cost of goods sold	18,625,035	21,138,628
Gross profit	3,845,802	6,571,914
General and administrative expenses	2,979,835	3,088,403
Selling expenses	2,218,269	2,322,837
Total operating expenses	5,198,104	5,411,240
Gain (loss) on sale of assets	(174)	61,634
Other income	157,540	57,362
Operating income (loss)	(1,194,936)	1,279,670
Other income (expense)		
Interest expense	(116,229)	(132,026)
Interest income	8,327	3,538
Loss on investment securities available-for-sale	—	(68,680)
Total other expense	(107,902)	(197,168)
Income (loss) before income tax expense (benefit)	(1,302,838)	1,082,502
Income tax expense (benefit) (Note 4)	(498,000)	391,000
Net income (loss)	$(804,838)	$691,502
Basic earnings (loss) per share (Note 9)	$(0.16)	$0.14
Diluted earnings (loss) per share (Note 9)	$(0.16)	$0.14

See accompanying summary of accounting policies and notes to consolidated financial statements.

Smith-Midland Corporation
and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31,	
	2014	2013
Net income (loss)	$(804,838)	$691,502
Other comprehensive loss, net of tax: (1)		
Net unrealized holding gain (loss)	(6,629)	(83,929)
Reclassification adjustment for realized losses	—	42,915
Comprehensive income (loss)	$(811,467)	$650,488

(1) Net unrealized losses on available for sale securities are shown net of income tax benefits of $3,000. Reclassification adjustment for realized losses are shown net of income tax expense of $26,000.

See accompanying summary of accounting policies and notes to consolidated financial statements.

Smith-Midland Corporation
and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Accumulated Other Compre-hensive Loss	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2012	$48,262	$4,995,278	$ —	$5,924,491	$(102,300)	$10,865,731
Dividends paid on common stock	—	—	—	(144,489)	—	(144,489)
Net unrealized holding loss	—	—	(41,014)	—	—	(41,014)
Proceeds for options exercised	553	46,160	—	—	—	46,713
Net income	—	—	—	691,502	—	691,502
Balance, December 31, 2013	48,815	5,041,438	(41,014)	6,471,504	(102,300)	11,418,443
Dividends paid on common stock	—	—	—	(174,239)	—	(174,239)
Net unrealized holding gain	—	—	34,385	—	—	34,385
Net loss	—	—	—	(804,838)	—	(804,838)
Balance, December 31, 2014	$48,815	$5,041,438	$ (6,629)	$5,492,427	$(102,300)	$10,473,751

See accompanying summary of accounting policies and notes to consolidated financial statements.

Smith-Midland Corporation
and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31, 2014	2013
Reconciliation of net income (loss) to net cash provided by operating activities		
Net income (loss)	$(804,838)	$691,502
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	636,644	634,869
Gain (loss) on sale of fixed assets	174	(61,634)
Realized loss on investment securities available-for-sale	—	68,631
Deferred taxes	67,000	(101,000)
(Increase) decrease in		
Accounts receivable - billed	3,203,868	(2,544,063)
Accounts receivable - unbilled	(198,776)	356,525
Inventories	212,934	164,628
Refundable income taxes	(722,948)	173,155
Prepaid expenses and other assets	164,660	47,055
Increase (decrease) in		
Accounts payable - trade	(365,115)	595,536
Accrued expenses and other liabilities	(388,278)	220,461
Accrued compensation	38,805	(29,020)
Accrued income taxes payable	(302,264)	302,262
Customer deposits	(115,515)	300,939
Net cash provided by operating activities	$1,426,351	$819,846

Smith-Midland Corporation
and Subsidiaries

Consolidated Statements of Cash Flows
(continued)

	December 31, 2014	2013
Cash Flows From Investing Activities		
Purchases of investment securities available-for-sale	$(78,453)	$(2,024,147)
Sale of investment securities available-for-sale	—	1,000,000
Purchases of property and equipment	(465,826)	(908,609)
Proceeds from sale of fixed assets	46,230	61,792
Net cash absorbed by investing activities	(498,049)	(1,870,964)
Cash Flows From Financing Activities		
Proceeds from long-term borrowings	55,159	2,303,339
Repayments of long-term borrowings	(372,880)	(2,385,856)
Dividends paid on common stock	(174,239)	(144,489)
Proceeds from options exercised	—	46,713
Net cash absorbed by financing activities	(491,960)	(180,293)
Net increase (decrease) in cash and cash equivalents	436,342	(1,231,411)
Cash and cash equivalents, beginning of year	3,136,063	4,367,474
Cash and cash equivalents, end of year	$3,572,405	$3,136,063
Supplemental schedule of non-cash investing activities		
Cash Payments for interest	$116,229	$132,026
Cash Payments for income taxes	$48,609	$19,600

See accompanying summary of accounting policies and notes to consolidated financial statements.

Smith-Midland Corporation
and Subsidiaries

Summary of Significant Accounting Policies

Nature of Business

Smith-Midland Corporation and its wholly owned subsidiaries (the “Company”) develop, manufacture, license, sell and install precast concrete products for the construction, transportation and utilities industries in the Mid-Atlantic, Northeastern, and Midwestern regions of the United States.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Smith-Midland Corporation and its wholly owned subsidiaries. The Company’s wholly owned subsidiaries consist of Smith-Midland Corporation, a Virginia corporation, Smith-Carolina Corporation, a North Carolina corporation, Easi-Set Industries, Inc., a Virginia corporation, Concrete Safety Systems, Inc., a Virginia corporation, and Midland Advertising and Design, Inc., doing business as Midland Advertising + Design, a Virginia corporation. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all unrestricted cash and money market accounts purchased with an original maturity of three months or less as cash and cash equivalents.

Investments

Investments in marketable securities are classified as available-for-sale and are stated at market value with unrealized holding gains and losses excluded from earnings and reported as a separate component of stockholders' equity until realized.

Inventories

Inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or market. Inventory reserves were approximately $90,000 at December 31, 2014 and 2013.

Property and Equipment

Property and equipment is stated at cost. Expenditures for ordinary maintenance and repairs are charged to income as incurred. Costs of betterments, renewals, and major replacements are capitalized. At the time properties are retired or otherwise disposed of, the related cost and allowance for depreciation are eliminated from the accounts and any gain or loss on disposition is reflected in income.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings	10-33
Trucks and automotive equipment	3-10
Shop machinery and equipment	3-10

Land improvements	10-15
Office equipment	3-10

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

As of December 31, 2014, the Company has not identified any unrecognized tax positions. The Company files tax returns in the U.S. Federal and various state jurisdictions. The Company recognized, when applicable interest and penalties related to income taxes in other income (expense) in its consolidated statement of income (loss). The Company is no longer subject to U.S. or state tax examinations for the years prior to 2011. The Company does not believe there will be any material changes in unrecognized tax positions over the next twelve months.

Stock Options

Stock based compensation is measured based on the fair value of the award on the date of grant and the corresponding expense is recognized over the period during which an employee is required to provide services in exchange for the award. The fair value of each stock option is estimated using a Black-Scholes option pricing model based on certain assumptions including expected term, risk-free interest rate, stock price volatility and dividend yield. The assumption for expected term is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected term at the grant date. The historical volatility of the Company's stock is used as the basis for the volatility assumption. See Note 6 of Notes to the Consolidated Financial Statements for additional information related to stock based compensation. There have been no option grants since 2008. Substantially all options become vested and exercisable ratably over a three-year period.

Revenue Recognition

The Company primarily recognizes revenue on the sale of its standard precast concrete products at shipment date, including revenue derived from any projects to be completed under short-term contracts. Installation of the Company's standard products is typically performed by the customer; however, in some circumstances, the Company will install certain products at the time of delivery and will recognize the installation revenue at that time. The installation activities are usually completed the day of delivery or the following day. In utility building sales, the majority of the buildings are erected on the Company's site and delivered completely installed.

Leasing fees are paid at the beginning of the lease agreement and recorded to a deferred revenue account. As the revenue is earned each month during the contract, the amount earned is recorded as lease income and an equivalent amount is debited to deferred revenue.

Royalties are recognized as revenue as they are earned. The Company licenses certain other precast companies to produce its licensed products to our engineering specifications under licensing agreements. The agreements are typically for five year terms and require royalty payments from 4% to 6% which are paid on a monthly basis. The revenue from licensing agreements are recognized in the month earned.

Certain sales of Soundwall, architectural precast panels and Slenderwall™ concrete products revenue is recognized using the percentage of completion method for recording revenues on long term contracts under ASC 605-35. The contracts are executed by both parties and clearly stipulate the requirements for progress payments and a schedule of delivery dates. Provisions for estimated losses on contracts are made in the period in which such losses are determined.

Shipping revenues are recognized in the period the shipping services are provided to the customer.

Smith-Midland products are typically sold pursuant to an implicit warranty as to merchantability only. Warranty claims are reviewed and resolved on a case by case method. Although the Company does incur costs for these types of expense, historically the amount of expense is minimal.

Shipping and Handling

Amounts billed to customers are recorded in sales and the costs associated with the shipping and handling are recorded as cost of goods sold.

Sales and Use Taxes

Use taxes on construction materials are reported gross in general and administrative expense.

Risks and Uncertainties

The Company sells products to highway contractors operating under government funded highway programs and other customers and extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure to credit losses and maintains allowances for anticipated losses. Management reviews accounts receivable on a weekly basis to determine the probability of collection. Any accounts receivable that are deemed to be uncollectible along with a general reserve, which is calculated based upon the aging category of the receivable, is included in the overall allowance for doubtful accounts. Management believes the allowance for doubtful accounts at December 31, 2014 is adequate. However, actual write-offs may exceed the recorded allowance. Due to inclement weather, the Company may experience reduced revenues from December through February and may realize the substantial part of its revenues during the other months of the year.

Fair Value of Financial Instruments

The carrying value for each of the Company's financial instruments (consisting of cash and cash equivalents, accounts receivable, accounts payable and short-term line of credit) approximates fair value because of the short-term nature of those instruments. The estimated fair value of the long-term debt approximates carrying value based on current rates offered to the Company for debt of the similar maturities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain minor reclassifications have been made to prior year amounts to conform to the current year presentation.

Advertising Costs

The Company expenses all advertising costs as incurred. Advertising expense was approximately $512,000 and $530,000 in 2014 and 2013, respectively.

Earnings Per Share

Earnings per share are based on the weighted average number of shares of common stock and dilutive common stock equivalents outstanding. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity.

Long-Lived Assets

The Company reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable based on undiscounted estimated future operating cash flows. When any such impairment exists, the related assets will be written down to fair value. No impairment losses have been recorded through December 31, 2014.

Recent Accounting Pronouncement

In November 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update (“ASU”) 2014-17, Business Combinations: Pushdown Accounting. This ASU amended the Business Combination Accounting Standards Codification to provide guidance on whether and at what threshold an acquired entity that is a business or nonprofit activity can apply pushdown accounting in its separate financial statements. The Company’s adoption of FASB ASU No. 2013-17 effective November 14, 2014 did not have an impact on the Company’s consolidated results of operations, financial position and related disclosures.

In August 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-15, Presentation of Financial Statements- Going Concern (Subtopic 205-40). The amendments require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in the U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The guidance is effective for annual periods ending after December 15, 2016 and for annual periods thereafter. Early adoption is permitted. The Company does not expect this ASU to have a material impact on the Company's consolidated results of operations, financial position and related disclosures.

In June 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-12, Compensation - Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. A performance target in a share-based payment that affects vesting and that could be achieved after the requisite service period should be accounted for as a performance condition under Accounting Standards Codification (ASC) 718, Compensation - Stock Compensation. As a result, the target is not reflected in the estimation of the award's grant date fair value. Compensation cost would be recognized over the required service period, if it is probable that the
performance condition will be achieved. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. Early adoption is permitted. The Company does not expect this ASU to have a material impact on the Company's consolidated results of operations, financial position and related disclosures.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.
The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements and have not yet determined the method by which we will adopt the standard in 2017.
In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This ASU changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and represents a strategic shift that has or will have a major effect on an entity's operations and financial results. The new standard is effective in annual periods beginning on or after December 15, 2014 with
early adoption permitted. The guidance applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The Company's adoption of FASB ASU No. 2014-08 is not expected to have an impact on the Company's consolidated results of operations, financial position and related disclosures.

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes: Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . This ASU amended the Income Taxes Topic of the Accounting Standards Codification to eliminate a diversity in practice for the presentation of unrecognized tax benefits when net operating loss carryforwards, similar tax losses or tax credit carryforwards exist. The amendment requires that the unrecognized tax benefit be presented as a reduction of the deferred tax assets associated with the carryforwards except in certain circumstances when it would be reflected as a liability. This guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2013. The Company’s adoption of FASB ASU No. 2013-11 effective January 1, 2014 did not have an impact on the Company’s consolidated results of operations, financial position and related disclosures.

SMITH-MIDLAND CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2014	2013
Land and land improvements	$580,612	$598,926
Buildings	4,149,078	3,934,605
Machinery and equipment	7,011,943	8,997,995
Rental equipment	1,092,384	978,514
	12,834,017	14,510,040
Less: accumulated depreciation	8,727,406	10,187,045
	$4,106,611	$4,322,995

Depreciation expense and amortization was approximately $637,000 and $635,000 for the years ended December 31, 2014 and 2013, respectively.

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Notes to Consolidated Financial Statements
(continued)

NOTE 2. - NOTES PAYABLE

Notes payable consist of the following:

	December 31, 2014	2013
Note payable to a Bank, maturing June 2021; with monthly payments of approximately $25,000 of principal and interest fixed at 3.99%; collateralized by principally all assets of the Company.	$1,814,825	$2,043,832
Note payable to a Bank, maturing April 2021; with monthly payments of approximately $6,200 of principal and interest at prime at variable rate (5.29% at December 31, 2013); collateralized by certain property of the Company.	398,964	445,882
Installment notes, collateralized by certain machinery and equipment maturing at various dates, primarily through 2016, with interest at 1.0% through 6.7%.	380,396	419,299
Line of credit evidenced by a note payable to a Bank, with the maximum amount of $2,000,000, maturing September 12, 2015, with interest only payments and an initial rate of 4.49% adjustable monthly. The loan is collateralized by a first lien position on the Company's accounts receivable and inventory and a second lien position on all other business assets.	—	—
	2,594,185	2,909,013
Less current maturities	363,821	364,204
	$2,230,364	$2,544,809

The Company’s note payable, with a balance of $1,814,825 at December 31, 2014, is secured by all of the assets of the Company. The loan agreement includes certain restrictive covenants, which require the Company to maintain minimum levels of tangible net worth, places limits on annual capital expenditures and the payment of cash dividends. At December 31, 2014, the Company was in compliance with all covenants pursuant to the loan agreement as amended except for the payment of a cash dividend on December 30, 2014, for which the Company received approval prior to payment.

The aggregate amounts of notes payable maturing in each of the next five years and thereafter are as follows:

Year Ending December 31,	
2015	$363,821

2016	368,270
2017	384,480
2018	390,342
2019	362,751
Thereafter	724,521
	$2,594,185

NOTE 3. - RELATED PARTY TRANSACTIONS

The Company currently leases a portion of its Midland, Virginia property from its CEO, on a month-to-month basis, as additional storage space for the Company's finished work product. The lease agreement calls for an annual rent of $24,000. See additional items discussed in Note 8.

Smith-Midland Corporation
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Notes to Consolidated Financial Statements
(continued)

NOTE 4. - INCOME TAXES

Income tax expense (benefit) is comprised of the following:

	December 31, 2014	2013
Federal:		
Current	$(450,000)	$432,000
Deferred	39,000	(88,000)
	(411,000)	344,000
State:		
Current	(91,000)	60,000
Deferred	4,000	(13,000)
	(87,000)	47,000
	$(498,000)	$391,000

The provision for income taxes differs from the amount determined by applying the federal statutory tax rate to pre-tax income as a result of the following:

	December 31, 2014		2013	
Income taxes at statutory rate	$(445,000)	34.0%	$368,000	34.0%
Increase (decrease) in taxes resulting from:				
State income taxes, net of federal benefit	(47,000)	3.6%	49,000	4.5%
Other	(6,000)	(0.5)%	(26,000)	(2.4)%
	$(498,000)	37.1%	$391,000	36.1%

Prepaid income taxes relate to amounts refundable from federal and state tax authorities for overpayment of estimated taxes that are expected to be applied towards future required payments.

Smith-Midland Corporation
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Notes to Consolidated Financial Statements
(continued)

Deferred tax assets (liabilities) are as follows:

	December 31, 2014	2013
Depreciation	$(663,000)	$(630,000)
Unrealized losses on investments available for sale	3,000	27,000
Provision for doubtful accounts	105,000	111,000
Vacation accrued	91,000	86,000
Deferred income	161,000	170,000
Other	81,000	81,000
Net deferred tax asset (liability)	(222,000)	(155,000)
Current portion, net	441,000	475,000
Long-term portion, net	(663,000)	(630,000)
	$(222,000)	$(155,000)

NOTE 5. - EMPLOYEE BENEFIT PLANS

The Company has a 401(k) retirement plan (the "Plan") covering substantially all employees. Participants may contribute up to 10% of their compensation to the Plan. The Company contributes 50% of the participant's contribution, up to 4% of the participant's compensation, as a matching contribution. Total contributions for the years ended December 31, 2014 and 2013 were approximately $89,000 and $79,000, respectively.

NOTE 6. - STOCK OPTIONS

On September 19, 2008, the Board of Directors and Stockholders of the Company adopted the 2008 Stock Option Plan (the "2008 Plan"), which allows the Company to grant up to 500,000 options to employees, officers, directors and consultants to purchase shares of the Company's Common Stock. Options granted under the plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company, while Non-qualified options may be issued to non-employee directors, consultants, and others, as well as to employees of the Company. There were no grants of options during the years ended December 31, 2014 or 2013.

Options generally vest over a three year period. The Company did not record any stock option expense for the years 2014 and 2013. As of December 31, 2013, the Company had recognized all remaining stock option expense for its outstanding stock options.

There were no options exercised for the year ending December 31, 2014 and there were 55,366 options exercised in 2013. The intrinsic value of outstanding and exercisable options at December 31, 2014 was approximately $98,000.

The following tables summarize activity under the stock option plans of the Company and the stock options outstanding at December 31, 2014:

Smith-Midland Corporation
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Notes to Consolidated Financial Statements
(continued)

	Weighted Average Exercise Price	Options Outstanding	Vested and Exercisable
Balance, December 31, 2012	$1.82	425,965	425,965
Granted	—	—	—
Forfeited	—	—	—
Exercised	0.84	(55,366)	(55,366)
Vested	—	—	—
Balance, December 31, 2013	1.96	370,599	370,599
Granted	—	—	—
Forfeited	(1.91)	(65,500)	(65,500)
Exercised	—	—	—
Vested	—	—	—
Balance, December 31, 2014	$1.97	305,099	305,099

NOTE 7. Fair Value Measurements

The Company applies the guidance that is codified under ASC 820-10 related to assets and liabilities recognized or disclosed in the financial statements at fair value on a recurring basis. ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of ASC 820-10 only apply to the Company’s investment securities, which are carried at fair value.

ASC 820-10 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. ASC 820-10 requires valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

Fair Value Hierarchy	Inputs to Fair Value Methodology

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Quoted prices for similar assets or liabilities; quoted markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instrument; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market information
Level 3	Pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption is unobservable or when the estimation of fair value requires significant management judgment

The Company categorizes a financial instrument in the fair value hierarchy based on the lowest level of input that is significant to its fair value measurement.

Smith-Midland Corporation
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Notes to Consolidated Financial Statements
(continued)

	As of December 31, 2014			
	Quoted Market Prices in Active Markets (Level 1)	Internal Models with Significant Observable Market Parameters (Level 2)	Internal Models with Significant Unobservable Market Parameters (Level 3)	Total Fair Value Reported in Financial Statements
Mutual Funds	$1,013,417	$—	$—	$1,013,417

	As of December 31, 2013			
	Quoted Market Prices in Active Markets (Level 1)	Internal Models with Significant Observable Market Parameters (Level 2)	Internal Models with Significant Unobservable Market Parameters (Level 3)	Total Fair Value Reported in Financial Statements
Mutual Funds	$915,341	$—	$—	$915,341

NOTE 8. - COMMITMENTS AND CONTINGENCIES

The Company has an employment agreement with its current CEO which automatically renews on an annual basis for an additional year, unless earlier terminated or not renewed as provided for therein. The agreement provides for an annual base salary of $99,000 and an annual royalty fee of $99,000 payable as consideration for the CEO's assignment to the Company of all of his rights, title and interest in certain patents. Payment of the royalty continues only for as long as the Company is using the inventions underlying the patents. Additionally, if the CEO (i) voluntarily leaves the employ of the Company within six months of his becoming aware of a Change of Control (as defined in the agreement) of the Company, then he shall be entitled to receive a lump sum amount equal to three times the five-year average of his combined total annual compensation, which includes the Base Salary and bonus, less one dollar ($1.00), and certain other unpaid accrued amounts as of the date of his termination, or (ii) is terminated by the Company without Cause (as defined in the agreement) or leaves the Company with Good Reason (as defined in the agreement), the CEO shall be entitled to a lump sum payment equal to three times the combined Base Salary and bonus paid during the immediately preceding calendar year, and such other unpaid accrued amounts. In any of such cases, the Company will provide the CEO with certain Company fringe benefits for two years, subject to certain conditions as provided for in the agreement, and all of the CEO's unvested options, if any, to purchase Company stock shall become fully vested and exercisable on the date of termination. The CEO will be entitled to exercise all such options for three years from the date of termination.

In the event the CEO’s employment by the Company is terminated as a result of the CEO’s (i) death, his estate shall be entitled to a lump sum payment of one times the combined Base Salary and bonus, and certain other accrued and unpaid amounts, or

Smith-Midland Corporation
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Notes to Consolidated Financial Statements
(continued)

(ii) disability, CEO shall be entitled to Base Salary and bonus for a period of one year commencing with the date of termination, and all other unpaid accrued amounts.

The Company is party to legal proceedings and disputes which may arise in the ordinary course of business. In the opinion of the Company, it is unlikely that liabilities, if any, arising from legal disputes will have a material adverse effect on the consolidated financial position of the Company.

NOTE 9. - EARNINGS (LOSS) PER SHARE

Earnings (loss) per share are calculated as follows:

	December 31, 2014	2013
Basic earnings (loss) per share		
Income (loss) available to common shareholder	$(804,838)	$691,502
Weighted average shares outstanding	4,881,548	4,839,205
Basic earnings (loss) per share	$(0.16)	$0.14
Diluted earnings (loss) per share		
Income (loss) available to common shareholder	$(804,838)	$691,502
Weighted average shares outstanding	4,881,548	4,839,205
Dilutive effect of stock options	—	41,248
Total weighted average shares outstanding	4,881,548	4,880,453
Diluted earnings (loss) per share	$(0.16)	$0.14

Outstanding options excluded from the diluted earnings per share calculation because they would have an anti-dilutive effect were 305,099 and 254,166 for the years ended December 31, 2014 and 2013, respectively.

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