

SMITH MIDLAND CORP  
Form 10-Q  
August 11, 2016

STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-13752

Smith-Midland Corporation  
(Exact name of Registrant as specified in its charter)  
Delaware 54-1727060  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

5119 Catlett Road, P.O. Box 300  
Midland, VA 22728  
(Address, zip code of principal executive offices)

(540) 439-3266  
(Registrant's telephone number, including area code)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark 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 ☐ Accelerated filer ☐

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Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$.01 par value, outstanding as of August 5, 2016 : 4,878,628 shares, net of treasury shares

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## PART I — FINANCIAL INFORMATION

## ITEM 1. Financial Statements

SMITH-MIDLAND CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

| ASSETS                                                                                          | June 30,<br>2016(Unaudited) | December 31,<br>2015 |
|-------------------------------------------------------------------------------------------------|-----------------------------|----------------------|
| Current assets                                                                                  |                             |                      |
| Cash and cash equivalents                                                                       | \$ 779,504                  | \$ 1,735,621         |
| Investment securities, available-for-sale, at fair value                                        | 1,084,309                   | 1,041,790            |
| Accounts receivable, net                                                                        |                             |                      |
| Trade - billed (less allowance for doubtful accounts of \$345,118 and \$375,919)                | 7,977,742                   | 6,795,215            |
| Trade - unbilled                                                                                | 636,201                     | 197,363              |
| Inventories, net                                                                                |                             |                      |
| Raw materials                                                                                   | 929,434                     | 724,143              |
| Finished goods (less allowance for reserves of \$66,567)                                        | 1,773,335                   | 1,770,141            |
| Prepaid expenses and other assets                                                               | 384,901                     | 194,429              |
| Refundable income taxes                                                                         | 542,190                     | 383,820              |
| Deferred tax asset                                                                              | 558,000                     | 665,000              |
| Total current assets                                                                            | 14,665,616                  | 13,507,522           |
| Property and equipment, net                                                                     | 5,953,514                   | 5,073,867            |
| Other assets                                                                                    | 192,952                     | 268,721              |
| Total assets                                                                                    | \$ 20,812,082               | \$ 18,850,110        |
| The accompanying notes are an integral part of the condensed consolidated financial statements. |                             |                      |

SMITH-MIDLAND CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

| LIABILITIES AND STOCKHOLDERS' EQUITY                                                                   | June 30,<br>2016(Unaudited) | December 31,<br>2015 |
|--------------------------------------------------------------------------------------------------------|-----------------------------|----------------------|
| Current liabilities                                                                                    |                             |                      |
| Accounts payable - trade                                                                               | \$ 2,497,565                | \$ 1,743,945         |
| Accrued expenses and other liabilities                                                                 | 1,010,211                   | 974,785              |
| Accrued compensation                                                                                   | 858,907                     | 449,723              |
| Current maturities of notes payable                                                                    | 748,012                     | 435,717              |
| Customer deposits                                                                                      | 586,176                     | 923,943              |
| Total current liabilities                                                                              | 5,700,871                   | 4,528,113            |
| Notes payable - less current maturities                                                                | 2,283,935                   | 2,076,675            |
| Deferred tax liability                                                                                 | 1,089,000                   | 855,000              |
| Total liabilities                                                                                      | 9,073,806                   | 7,459,788            |
| Commitments and contingencies                                                                          | —                           | —                    |
| Stockholders' equity                                                                                   |                             |                      |
| Preferred stock, \$.01 par value; authorized 1,000,000 shares, none issued and outstanding             | —                           | —                    |
| Common stock, \$.01 par value; authorized 8,000,000 shares; 4,919,548 issued and 4,878,628 outstanding | 49,195                      | 49,195               |
| Additional paid-in capital                                                                             | 5,110,398                   | 5,110,398            |
| Treasury stock, at cost, 40,920 shares                                                                 | (102,300)                   | (102,300)            |
| Accumulated other comprehensive income (loss)                                                          | 9,450                       | (9,357)              |
| Retained earnings                                                                                      | 6,671,533                   | 6,342,386            |
| Total stockholders' equity                                                                             | 11,738,276                  | 11,390,322           |
| Total liabilities and stockholders' equity                                                             | \$ 20,812,082               | \$ 18,850,110        |

The accompanying notes are an integral part of the condensed consolidated financial statements.

SMITH-MIDLAND CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

|                                                       | Three Months Ended<br>June 30, |             |
|-------------------------------------------------------|--------------------------------|-------------|
|                                                       | 2016                           | 2015        |
| Revenue                                               |                                |             |
| Product sales and leasing                             | \$7,155,973                    | \$5,600,996 |
| Shipping and installation revenue                     | 2,002,271                      | 813,894     |
| Royalties                                             | 481,775                        | 482,675     |
| Total revenue                                         | 9,640,019                      | 6,897,565   |
| Cost of goods sold                                    | 7,571,093                      | 5,229,992   |
| Gross profit                                          | 2,068,926                      | 1,667,573   |
| Operating expenses                                    |                                |             |
| General and administrative expenses                   | 897,616                        | 746,357     |
| Selling expenses                                      | 537,696                        | 514,760     |
| Total operating expenses                              | 1,435,312                      | 1,261,117   |
| Gain on sale of assets                                | 8,175                          | 6,373       |
| Other income                                          | 10,566                         | 3,949       |
| Operating income                                      | 652,355                        | 416,778     |
| Interest income (expense)                             |                                |             |
| Interest expense                                      | (35,580)                       | (23,737)    |
| Interest income                                       | 21,149                         | 816         |
| Total interest expense, net                           | (14,431)                       | (22,921)    |
| Income before income tax expense                      | 637,924                        | 393,857     |
| Income tax expense                                    | 219,000                        | 149,000     |
| Net income                                            | \$418,924                      | \$244,857   |
| Basic earnings per share                              | \$0.09                         | \$0.05      |
| Diluted earnings per share                            | \$0.08                         | \$0.05      |
| Weighted average number of common shares outstanding: |                                |             |
| Basic                                                 | 4,919,548                      | 4,892,686   |
| Diluted                                               | 4,967,059                      | 4,938,234   |

The accompanying notes are an integral part of the condensed consolidated financial statements.



SMITH-MIDLAND CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)

|                                              | Three Months Ended |           |
|----------------------------------------------|--------------------|-----------|
|                                              | June 30,           |           |
|                                              | 2016               | 2015      |
| Net income                                   | \$418,924          | \$244,857 |
| Other comprehensive gain (loss), net of tax: |                    |           |
| Net unrealized holding gain (loss)(1)        | 19,327             | (10,438 ) |
| Comprehensive income                         | \$438,251          | \$234,419 |

(1) Unrealized gains (losses) on available-for-sale securities are shown net of income tax expense of \$8,000 for June 30, 2016 and an income tax benefit of \$4,000 for June 30, 2015.

The accompanying notes are an integral part of the condensed consolidated financial statements.

SMITH-MIDLAND CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

|                                                       | Six Months Ended<br>June 30, |              |
|-------------------------------------------------------|------------------------------|--------------|
|                                                       | 2016                         | 2015         |
| Revenue                                               |                              |              |
| Products sales and leasing                            | \$13,389,679                 | \$8,869,733  |
| Shipping and installation revenue                     | 3,494,934                    | 1,413,147    |
| Royalties                                             | 810,490                      | 814,810      |
| Total revenue                                         | 17,695,103                   | 11,097,690   |
| Cost of goods sold                                    | 14,348,184                   | 8,900,125    |
| Gross profit                                          | 3,346,919                    | 2,197,565    |
| Operating expenses                                    |                              |              |
| General and administrative expenses                   | 1,731,427                    | 1,621,064    |
| Selling expenses                                      | 1,128,502                    | 1,018,774    |
| Total operating expenses                              | 2,859,929                    | 2,639,838    |
| Gain on sale of assets                                | 14,043                       | 11,627       |
| Other income                                          | 17,459                       | 14,556       |
| Operating income (loss)                               | 518,492                      | (416,090 )   |
| Interest income (expense)                             |                              |              |
| Interest expense                                      | (63,729 )                    | (50,730 )    |
| Interest income                                       | 30,385                       | 1,308        |
| Total other expense, net                              | (33,344 )                    | (49,422 )    |
| Income (loss) before income tax expense (benefit)     | 485,148                      | (465,512 )   |
| Income tax expense (benefit)                          | 156,000                      | (186,000 )   |
| Net income (loss)                                     | \$329,148                    | \$(279,512 ) |
| Basic income (loss) per share                         | \$0.07                       | \$(0.06 )    |
| Diluted income (loss) per share                       | \$0.07                       | \$(0.06 )    |
| Weighted average number of common shares outstanding: |                              |              |
| Basic                                                 | 4,919,548                    | 4,892,686    |
| Diluted                                               | 4,970,769                    | 4,892,686    |

The accompanying notes are an integral part of the condensed consolidated financial statements.



SMITH-MIDLAND CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(Unaudited)

|                                              | Six Months Ended |             |
|----------------------------------------------|------------------|-------------|
|                                              | June 30,         |             |
|                                              | 2016             | 2015        |
| Net income (loss)                            | \$329,148        | \$(279,512) |
| Other comprehensive gain (loss), net of tax: |                  |             |
| Net unrealized holding gain (loss) (1)       | 24,790           | (16,206 )   |
| Comprehensive income (loss)                  | \$353,938        | \$(295,718) |

(1) Unrealized gains (losses) on available for sale securities are shown net of income tax expense of \$10,000 for June 30, 2016 and an income tax benefit of \$6,000 for June 30, 2015.

The accompanying notes are an integral part of the condensed consolidated financial statements.

SMITH-MIDLAND CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

|                                                                             | Six Months Ended June<br>30, |              |
|-----------------------------------------------------------------------------|------------------------------|--------------|
|                                                                             | 2016                         | 2015         |
| Cash flows from operating activities                                        |                              |              |
| Net income (loss)                                                           | \$329,148                    | \$(279,512 ) |
| Adjustments to reconcile net loss to net cash used in operating activities: |                              |              |
| Depreciation and amortization                                               | 381,011                      | 333,931      |
| Gain on disposal of fixed assets                                            | (14,043 )                    | (11,627 )    |
| Deferred taxes                                                              | 341,000                      | (165,505 )   |
| Allowance for doubtful accounts                                             | (30,801 )                    | (95,261 )    |
| (Increase) decrease in operating assets and liabilities:                    |                              |              |
| Accounts receivable - billed                                                | (1,151,726 )                 | (2,206,076 ) |
| Accounts receivable - unbilled                                              | (438,838 )                   | 144,739      |
| Inventories                                                                 | (208,485 )                   | (156,018 )   |
| Prepaid expenses and other assets                                           | (114,703 )                   | (92,405 )    |
| Prepaid income taxes                                                        | (158,370 )                   | (31,805 )    |
| Accounts payable - trade                                                    | 753,620                      | 680,725      |
| Accrued expenses and other                                                  | 35,426                       | 193,304      |
| Accrued compensation                                                        | 409,184                      | 146,904      |
| Customer deposits                                                           | (337,767 )                   | 580,235      |
| Net cash used in operating activities                                       | (205,344 )                   | (958,371 )   |
| Cash flows from investing activities:                                       |                              |              |
| Purchases of investment securities available-for-sale                       | (23,712 )                    | (17,943 )    |
| Purchases of property and equipment                                         | (1,260,659 )                 | (506,893 )   |
| Proceeds from sale of fixed assets                                          | 14,043                       | 15,421       |
| Net cash used in investing activities                                       | (1,270,328 )                 | (509,415 )   |
| Cash flows from financing activities:                                       |                              |              |
| Proceeds from long-term borrowings                                          | 715,131                      | —            |
| Repayments of long-term borrowings                                          | (195,576 )                   | (183,979 )   |
| Proceeds from options exercised                                             | —                            | 21,100       |
| Net cash provided (used) in financing activities                            | 519,555                      | (162,879 )   |
| Net decrease in cash and cash equivalents                                   | (956,117 )                   | (1,630,665 ) |
| Cash and cash equivalents                                                   |                              |              |
| Beginning of period                                                         | 1,735,621                    | 3,572,405    |
| End of period                                                               | \$779,504                    | \$1,941,740  |

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The accompanying notes are an integral part of the condensed consolidated financial statements.



SMITH-MIDLAND CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. – INTERIM FINANCIAL REPORTING

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information, and with the instructions to Form 10-Q and Article 10 and Regulation S-X. Accordingly, we have condensed or omitted certain information and footnote disclosures that are included in our annual financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2015. The condensed consolidated December 31, 2015 balance sheet was derived from audited financial statements included in the Form 10-K.

In the opinion of management, these condensed consolidated financial statements reflect all adjustments (which consist of normal, recurring adjustments) necessary for a fair presentation of the financial position and results of operations and cash flows for the periods presented. The results disclosed in the condensed consolidated statements of operations are not necessarily indicative of the results to be expected in any future periods.

Recent Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, “Compensation-Stock Compensation,” to simplify the accounting and reporting for employee share-based payments. This amendment involves several aspects of the accounting for share-based payment transactions, including accounting for income taxes as it pertains to the timing of when excess tax benefits are recognized and to the recognition of excess tax benefits and tax deficiencies in the statements of income, forfeitures, minimum statutory tax withholding requirements, as well as classification of excess tax benefits and employee taxes paid in the statement of cash flows. This amendment will be effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments provide specific transition and disclosure guidance for each provision. The Company has not yet evaluated the effect the adoption of this ASU will have on its consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing (Topic 606), which amends the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. The effective date and transition of this amendment is the same as the effective date and transition of ASU 2014-09. The Company is currently in the process of evaluating the impact of the adoption on its consolidated financial statements and related disclosures.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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.

Revenue Recognition

Smith-Midland Corporation (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 which are accomplished at the time of delivery. The installation activities of smaller buildings are usually performed at the Company's site and shipped completed to the customers site. In larger utility building sales, the buildings are erected on the customers site within one or two days, depending on style and size. The value assigned to each component is determined by an estimate provided to the customer at the time of the sale. We use our best estimate to determine the sales price, which is consistent with our pricing strategy of the business and considers product configuration, geography and other market specific factors.

Leasing fees from barrier rental agreements are paid at the beginning of the operating 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 a percent of sales of the licensed product sold by the licensee on a monthly basis. 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.

With respect to certain sales of Soundwall panels, architectural precast panels and Slenderwall™ precast panels, revenue is recognized using the percentage-of-completion method for recording revenues on long term contracts pursuant to ASC 605-35-25 using the units-of-production as the basis to measure progress toward completing the contract. 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 and costs 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 expenses, historically the amount of expense is immaterial.

#### NOTE 2. – NET INCOME (LOSS) PER COMMON SHARE

Basic earnings (loss) per common share exclude all common stock equivalent, primarily stock options, and is computed using the weighted average number of common shares outstanding during the period. The diluted earnings (loss) per common share calculation reflects the potential dilutive effect of securities that could share in earnings (loss) of the Company. Outstanding options are excluded from the diluted earnings per share calculation where they would have an anti-dilutive effect.

|                                         | Three Months<br>Ended June 30, |           |
|-----------------------------------------|--------------------------------|-----------|
|                                         | 2016                           | 2015      |
| Basic income per share                  |                                |           |
| Income available to common shareholders | \$418,924                      | \$244,857 |
| Weighted average shares outstanding     | 4,919,548                      | 4,892,686 |
| Basic income per share                  | \$0.09                         | \$0.05    |
| Diluted income per share                |                                |           |
| Income available to common shareholders | \$418,924                      | \$244,857 |
| Weighted average shares outstanding     | 4,919,548                      | 4,892,686 |
| Dilutive effect of stock options        | 47,511                         | 45,548    |

Total weighted average shares outstanding 4,967,059 4,938,234

|                          |        |        |
|--------------------------|--------|--------|
| Diluted income per share | \$0.08 | \$0.05 |
|--------------------------|--------|--------|

|                                                | Six Months Ended<br>June 30, |             |
|------------------------------------------------|------------------------------|-------------|
|                                                | 2016                         | 2015        |
| Basic income (loss) per share                  |                              |             |
| Income (loss) available to common shareholders | \$ 329,148                   | \$(279,512) |
| Weighted average shares outstanding            | 4,919,548                    | 4,892,686   |
| Basic income (loss) per share                  | \$0.07                       | \$(0.06 )   |
| Diluted income (loss) per share                |                              |             |
| Income (loss) available to common shareholders | \$ 329,148                   | \$(279,512) |
| Weighted average shares outstanding            | 4,919,548                    | 4,892,686   |
| Dilutive effect of stock options               | 51,221                       | —           |
| Total weighted average shares outstanding      | 4,970,769                    | 4,892,686   |
| Diluted income (loss) per share                | \$0.07                       | \$(0.06 )   |

#### NOTE 3. – NOTES PAYABLE

The Company has a mortgage note payable to Summit Community Bank (the “Bank”), with a balance of \$1,453,369 as of June 30, 2016. 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. The Company additionally has eight smaller installment loans with interest rates between 2.99% and 3.99% and varying balances totaling \$558,566. Also, the Company is limited to \$1,000,000 for annual capital expenditures. At June 30, 2016, the Company was in compliance with all covenants pursuant to the loan agreement except for the limitation for the purchase of capital assets in the amount of \$1,000,000 for which the Company received a waiver from the bank.

The Company also has a \$2,000,000 line of credit, of which \$602,022 was outstanding at June 30, 2016. The Company used the line of credit to purchase a capital asset that will be refinanced as an installment note payable in the short term. The line is evidenced by a commercial revolving promissory note with the Bank, which carries a variable interest rate equal to the Wall Street Journal's prime rate and matures on September 12, 2016. In addition, the Company has a commitment from the Bank in the amount of \$1,000,000 for an equipment line of credit, of which, \$427,110 has been used and \$417,990 was outstanding at June 30, 2016.

#### NOTE 4. – STOCK OPTIONS

In accordance with ASC 718, the Company had no stock option expense for the three and six months ended June 30, 2016 and June 30, 2015. The Company uses the Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. The Company did not issue any stock options for the six months ended June 30, 2016 or the six months ended June 30, 2015.

The following table summarized options outstanding at June 30, 2016



|                                                  | Number<br>of Shares | Weighted<br>Average<br>Exercise<br>Price |
|--------------------------------------------------|---------------------|------------------------------------------|
| Balance, December 31, 2015                       | 190,933             | \$ 1.77                                  |
| Granted                                          | —                   | —                                        |
| Forfeited                                        | (60,000)            | (2.21 )                                  |
| Exercised                                        | —                   | —                                        |
| Outstanding options at June 30, 2016             | 130,933             | \$ 1.56                                  |
| Outstanding exercisable options at June 30, 2016 | 130,933             | \$ 1.56                                  |

The intrinsic value of outstanding and exercisable options at June 30, 2016 was approximately \$116,000.

#### NOTE 5. – SUBSEQUENT EVENTS

Through the date of the filing of this Form 10-Q, the Company has evaluated events and transactions occurring subsequent to June 30, 2016 and has determined that there have been no significant events or transactions that provide additional evidence about conditions of the Company that existed as of the balance sheet date except for those discussed below.

On July 21, 2016, pursuant to a Contract For Purchase and Sale, effective on such date (the “Purchase Agreement”), between Nelson Cherry Properties, LLC and Smith-Columbia Corporation (“Purchaser”), a wholly-owned subsidiary of the Company, Purchaser consummated the purchase of the land, building and fixtures of a precast concrete production facility located near Columbia, South Carolina for a purchase price of \$1,550,000. The facility is located on 39 acres of land and has approximately 40,000 square feet of production and office space. The purchase was financed by a new 15 year bank facility with the Company’s current bank in the amount of \$1,317,500, with the balance provided from cash resources. For several months prior to the closing, Purchaser had rented the facilities from Seller to enable Purchaser to begin to manufacture Smith-Midland precast concrete products.

On July 21, 2016, in order to finance the purchase described above, the Company borrowed \$1,317,500 from Summit Community Bank (the “Bank”). Such loan is evidenced by a promissory note, dated July 19, 2016 (the “Note”). The Note provides for a 15 year term, a fixed annual interest rate of 5.29%, monthly fixed payments of \$10,672.91 and a security interest in favor of the Bank in respect of the land, building and fixtures purchased with the proceeds of the loan. The security interest is described in a Commercial Security Agreement, dated July 19, 2016, between the Company and the Bank.

#### ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

##### Forward-Looking Statements

This Quarterly Report and related documents include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act 1934. 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 the negative of those terms. Potential risks and uncertainties include, among other things, such factors as:

• While the Company is profitable year to date as of June 30, 2016, there are no assurances that the Company can remain profitable in future periods,

our debt level increased during the first and second quarter of 2016 and our 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 in the Company's primary service area,

adverse weather, which inhibits the demand for our products,

our compliance with governmental regulations,

the outcome of future litigation, if any,

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 five members, has only two outside, independent directors, and

the other factors and information disclosed and discussed in other sections of this Report, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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.

## Overview

The Company invents, develops, manufactures, markets, leases, licenses, sells, and installs a broad array of precast concrete products for use primarily in the construction, utilities and farming industries. The Company's customers are primarily general contractors and federal, state, and local transportation authorities located in the Mid-Atlantic, Northeastern, Midwestern regions and parts of the Southeastern region 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 insulated wall panel for use in building construction; J-J Hooks® Highway Safety Barrier, a positive-connected highway safety barrier; Sierra Wall, a sound barrier primarily for roadside use; and Easi-Set® transportable concrete buildings, also patented. In addition, the Company produces custom order precast concrete products with various architectural surfaces, as well as generic highway sound barriers, utility vaults, and farm products such as cattleguards and water and feed troughs.

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 incurred a net loss for the first quarter of 2016 in the amount of \$88,000 and net income of \$419,000 for the second quarter of 2016, resulting in net income of \$329,000 for the six months ended June 30, 2016. The cost of goods sold as a percent of revenue, not including royalties, for the three months ended June 30, 2016 was 83% compared to 88% for

the three months ended March 31, 2016. The decrease in the cost of goods sold as a percent of revenue, not including royalties, was due to increased revenues of higher margin products such as barrier, barrier rentals and soundwall (where all discounted soundwall production and revenue were completed in the prior quarter), as well as a reduction in production man-hours, thereby reducing direct labor costs. Management believes this trend will continue into the third quarter of 2016 leading to increased net income for the third quarter.

## Results of Operations

Three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015

### Revenue By Type

|                                       | Three Months Ended June 30, |             |             |             | Six Months Ended June 30, |              |             |             |
|---------------------------------------|-----------------------------|-------------|-------------|-------------|---------------------------|--------------|-------------|-------------|
|                                       | 2016                        | 2015        | Change      | % of Change | 2016                      | 2015         | Change      | % of Change |
| Product Sales:                        |                             |             |             |             |                           |              |             |             |
| Soundwall Sales                       | \$2,491,244                 | \$571,905   | \$1,919,339 | 336%        | \$4,890,911               | \$862,948    | \$4,027,963 | 467%        |
| Architectural Panel Sales             | 166,101                     | 1,047,436   | (881,335)   | (84)%       | 295,992                   | 1,628,741    | (1,332,749) | (82)%       |
| Slenderwall Sales                     | 352,968                     | 708,293     | (355,325)   | (50)%       | 410,813                   | 1,204,165    | (793,352)   | (66)%       |
| Miscellaneous Wall Sales              | 586,453                     | 206,734     | 379,719     | 184%        | 1,346,067                 | 338,060      | 1,008,007   | 298%        |
| Total Wall Sales                      | 3,596,766                   | 2,534,368   | 1,062,398   | 42%         | 6,943,783                 | 4,033,914    | 2,909,869   | 72%         |
| Barrier Sales                         | 1,813,274                   | 812,111     | 1,001,163   | 123%        | 3,266,150                 | 1,248,409    | 2,017,741   | 162%        |
| Easi-Set and Easi-Span Building Sales | 649,552                     | 773,600     | (124,048)   | (16)%       | 1,230,117                 | 1,154,958    | 75,159      | 7%          |
| Utility and Farm Product Sales        | 599,753                     | 828,246     | (228,493)   | (28)%       | 937,532                   | 1,205,318    | (267,786)   | (22)%       |
| Miscellaneous Product Sales           | 87,348                      | 468,516     | (381,168)   | (81)%       | 211,509                   | 865,631      | (654,122)   | (76)%       |
| Total Product Sales                   | 6,746,693                   | 5,416,841   | 1,329,852   | 25%         | 12,589,091                | 8,508,230    | 4,080,861   | 48%         |
| Royalty Income                        | 481,775                     | 482,675     | (900)       | —%          | 810,490                   | 814,810      | (4,320)     | (1)%        |
| Barrier Rentals                       | 409,280                     | 184,155     | 225,125     | 122%        | 800,588                   | 361,503      | 439,085     | 121%        |
| Shipping and Installation Revenue     | 2,002,271                   | 813,894     | 1,188,377   | 146%        | 3,494,934                 | 1,413,147    | 2,081,787   | 147%        |
| Total Service Revenue                 | 2,893,326                   | 1,480,724   | 1,412,602   | 95%         | 5,106,012                 | 2,589,460    | 2,516,552   | 97%         |
| Total Revenue                         | \$9,640,019                 | \$6,897,565 | \$2,742,454 | 40%         | \$17,695,103              | \$11,097,690 | \$6,597,413 | 59%         |

Wall Panel Sales - Wall sales are generally large contracts issued by general contractors for production and delivery of a specific wall panel for a specific construction project. Changes in the mix of wall sales depend on what contracts are being bid and what projects are in production during the period. Overall wall panel sales increased significantly during the three and six months ended June 30, 2016, compared to the same period in 2015. The following describes the changes by product type:

Soundwall sales increased by significantly for the three and six month period ended June 30, 2016 when compared to the same periods in 2015. With more funds available from the federal and state highway programs, soundwall contracts continue be plentiful and the Company has been able to get its share of the available bids. We continue to be awarded contracts and management believes soundwall sales will continue to be strong through the remainder of 2016. Prices have continued to improve and the Company expects prices to remain at the current level through the remainder of 2016 and into 2017. Our new facility, located in Columbia, South Carolina, is beginning to review local soundwall bids and hopes to be awarded soundwall contracts by 2017.

Architectural panel sales decreased significantly during the three and six month periods ended June 30, 2016, compared to the same periods in 2015. The Company had one large architectural project in 2015 and there is only one small project in production in 2016. While the construction economy has been trending up since 2015, the volume of architectural projects continues to be less than that of other wall panel projects and the pricing has continued to remain low. The Company continues

to bid on this work, however, since our production and sales of other products have been relatively strong, we are not bidding architectural projects with low margins and consequently we are not winning the bids.

Slenderwall panel sales decreased during the three and six month periods ended June 30, 2016 when compared to the same period in 2015. The decrease resulted from the completion of two Slenderwall projects during 2015. The Company has a \$2 million Slenderwall project that began production in July of 2016 and has been awarded a \$3.2 million Slenderwall project that is anticipated to start production later in 2016 or early 2017. Over the past six months, there have been fewer Slenderwall projects to bid, but there are several Slenderwall projects coming up for bid in the next few months.

Miscellaneous wall panels significantly increased for the three and six month periods ended June 30, 2016, when compared to the same periods in 2015. The Company began a miscellaneous project in the fourth quarter of 2015 that will run through 2016 for approximately \$2.5 million. We expect sales to continue to be strong for the remainder of 2016 for miscellaneous wall panels. The market seems to be strong in this area as we have bid on several other projects that we have a good chance to be awarded.

Barrier Sales - Barrier sales increased significantly during the three and six month periods ended June 30, 2016, compared to the same periods in 2015. With the federal and state governments investing in highway and infrastructure improvements, the sale of barrier continues to be strong in all three of our manufacturing plants, including our new plant just closed in Columbia, South Carolina. Our South Carolina company continues to produce barrier under its \$3.5 million barrier contract started earlier in the year. Several more sales/barrier rental contracts are being reviewed now for bid, indicating that barrier sales and rentals should be strong for the remainder of 2016.

Easi-Set® and Easi-Span® Building Sales - Building and restroom sales decreased by 16% for the three months ended June 30, 2016, compared to the same period in 2015. The decrease in sales was mainly due to the end of a large contract with the government for restroom sales in state parks and other outside venues. The contract was for lower priced restrooms and with the economy improving, management decided not to re-bid the contract. Sales for the six months ended June 30, 2016 increased by 7% due to sales earlier in the year under the government contract just ended. Management believes the Company will see a slight increase in building and restroom sales for the remainder of 2016 as requests for bids has increased and several new projects are underway.

Utility and Farm Product Sales - Utility and farm products sales decreased moderately over the three and six month periods ended June 30, 2016, compared to the same periods in 2015. The Company received a large order for manholes on a local highway project for which delivery began in the fourth quarter of 2015 and has continued production during 2016. The project is running behind schedule and the contractor has slowed its production requirements, however, management believes it will pick back up this summer. Utility products are tied closely with infrastructure spending by federal, state and local governments and with the passage of the federal highway bill, sales and bids on these products are slowly improving. Management believes these products will remain level during the second half of 2016.

Miscellaneous Product Sales - Miscellaneous products are products produced and sold that do not meet the criteria defined for other revenue categories. Miscellaneous product sales decreased significantly for the three and six month periods ended June 30, 2016,, compared to the same periods in 2015. The decrease in was due mainly to the completion of several miscellaneous projects early in 2016. We currently have several smaller projects in production. Management believes that miscellaneous sales will remain relatively flat during the remainder of the year.

Royalty Income - Royalty revenue was relatively flat for the three and six month periods ended June 30, 2016, compared to the same periods in 2015. Building royalties were down during the periods, however, barrier royalties were up slightly during the periods leaving income flat. Management believes that royalty income will increase over the remainder of 2016 as the Company is aware of two Slenderwall projects currently in production by one of our licensees as well as an increase in other activities by licensees.

Barrier Rentals - Barrier rentals increased significantly for the three and six month periods ended June 30, 2016, compared to the same periods in 2015. The increase in barrier rentals was due to the federal and state investment in highway and infrastructure projects. In addition the increase was partly due to a small special rental project made in the first and second quarters of 2016 at increased margins. Management is aware of several special rental projects

coming up during in the second half of 2016 and is endeavoring to obtain these projects which also sell at increased margins.

**Shipping and Installation** - Shipping revenue results from shipping our products to the customers' final destination and is recognized when the shipping services take place. Installation activities include installation of our products at the customers' construction site. Installation revenue results when attaching architectural wall panels to a building, installing an Easi-Set® building at a customers' site or setting any of our other precast products at a site specific to the requirements of the owner. Shipping and installation revenue increased by approximately 146% for the three and six month periods ended June 30, 2016, compared to the same periods in 2015. The Company was involved in several installation projects during the first and second quarters of 2016, while very little installation was being done in the same quarters of 2015. As discussed in Form 10-K for the year ended December 31, 2015, our storage yard was filled to capacity with several large projects waiting to be shipped to customers in 2016. During the both quarters of 2016 we began shipping many of these projects as well as much of the soundwall being produced during 2016, thereby, increasing our shipping revenue as well as installation revenue. Management believes this trend will continue through 2016.

**Cost of Goods Sold** - Total cost of goods sold for the three months ended June 30, 2016, increased by \$2,341,101, or 45%, from the same period in 2015. Total cost of goods sold, as a percentage of total revenue, not including royalties, was 83% for the three months ended June 30, 2016, relatively unchanged from 82% for the same period in 2015. Total cost of goods sold for the six months ended June 30, increased by \$5,448,059, or 49%, from the same period in 2015. The increase was due mainly to the increase in sales for the periods concerned. Total cost of goods sold, as a percentage of total revenue, not including royalties, was 85% for the six months ended June 30, and 87% for the same period in 2015. The slight decrease in cost of goods sold, as a percentage of total revenue, not including royalties, was caused by increased sales, sale of higher margin products in the second quarter as well as fixed costs being spread over a higher revenue base. The start-up costs for the Columbia, South Carolina plant had a negative impact on the cost of goods sold percentage, primarily in the first quarter of 2016. There will be additional startup costs over the next several months in respect to the Columbia plant that should be partially offset by sales of the barrier being produced and sold. The Company has encountered some price increases in some raw materials, partially offset by temporary decreases in steel prices. Inflation continues to remain relatively low and management believes inflation will continue to remain relatively low for the remainder of the 2016.

**General and Administrative Expenses** - For the three months ended June 30, 2016 the Company's general and administrative expenses increased by \$151,259, or 20%, to \$897,616 from \$746,357 during the same period in 2015 and for the six months ended June 30, 2016, the Company's general and administrative expenses increased by \$110,363, or 7%, to \$1,128,502 from \$1,018,774 during the same period in 2015. The increase for both periods was due to an increase in salaries, rent for the Columbia facility, and higher repairs and maintenance partially offset by lower use taxes and office expenses. General and administrative expense as a percentage of total revenue was 9% and 11% for the three months ended June 30, 2016 and 2015, respectively. General and administrative expense as a percentage of total revenue was 10% and 15% for the six months ended June 30, 2016 and 2015, respectively.

**Selling Expenses** - Selling expenses for the three months ended June 30, 2016 increased to \$537,696 from \$514,760 for the same period in 2015 or 4%. The increase was due mainly to increased salary and advertising expense partially offset by lower general office expenses. Selling expenses for the six months ended June 30, 2016 increased to \$1,128,502 from \$1,018,774 for the same period in 2015 or 11%. The increase in selling expenses for the period were due to increased salaries and advertising expense partially offset by lower general office expenses.

**Operating Income/Loss** - The Company had an operating income for the three months ended June 30, 2016 of \$652,355 compared to operating income of \$416,778 for the same period in 2015. The increase in operating income for the three months ended June 30, 2016 compared to the same period in 2015 was primarily due to increased sales of product. The Company had an operating income for the six months ended June 30, 2016 of \$518,492 compared to an operating loss of \$416,778 for the same period in 2015. The increase in operating income for the six months ended June 30, 2016 compared to the same period in 2015 was primarily due to increased sales of product and a lower cost of goods sold for the period as a percentage of total revenue, not including royalties.

**Interest Expense** - Interest expense was higher for the three and six month periods ended June 30, 2016, compared to the same period in 2015. The increase for the periods was due primarily to increased borrowings for the three and six month periods ended June 30, 2016, used for the purchase of 6 acres of land adjacent to our Midland, VA facility for

storage of products purchased by customers prior to delivery and the purchase of equipment used in production.

Income Tax Expense/Benefit – The Company had an income tax expense of \$219,000 with an effective rate of 34% for the three months ended June 30, 2016 compared to an income tax income expense of \$149,000 with an effective rate of 38% for the same period in 2015. The Company had an income tax expense of \$156,000 with an effective rate of 32% for the six months ended June 30, 2016, compare to a tax benefit of \$186,000 with a effective rate of 40% for the same period in 2015.

Net Income/Loss – The Company had net income of \$418,924 for the three months ended June 30, 2016, compared to net income of \$244,857 for the same period in 2015. The basic and diluted income per share was \$0.09 and \$0.08 for the three months ended June 30, 2016, respectively, and the basic and diluted income per share was \$.05 for the three months ended June 30, 2015. The Company had net income of \$329,148 for the six months ended June 30, 2016, compared to a net loss of \$279,512 for the same period in 2015. The basic and diluted income per share was \$0.07 for the six months ended June 30, 2016, and the basic and diluted loss per share was \$.06 for the six months ended June 30, 2015.

#### Liquidity and Capital Resources

The Company financed its capital expenditures and operating requirements for the first half of 2016 primarily from cash balances and notes payable to a bank. The Company had \$3,031,947 of debt obligations at June 30, 2016, of which \$748,012 was scheduled to mature within twelve months. During the six months ended June 30, 2016, the Company made repayments of outstanding debt in the amount \$195,576.

The Company has a mortgage note payable to Summit Community Bank (the “Bank”), with a balance of \$1,453,369 as of June 30, 2016. The note has a maturity date of September 12, 2021 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 as long as the Company is not in default. The Company additionally has eight smaller installment loans with a balance totaling \$558,566. Also, the Company is limited to \$1,000,000 for annual capital expenditures. At June 30, 2016, the Company was in compliance with all covenants pursuant to the loan agreement except for the limitation for the purchase of capital assets in the amount of \$1,000,000 for which the Company received a waiver from the bank.

The Company also has a \$2,000,000 line of credit, of which \$602,022 was outstanding at June 30, 2016. The line is evidenced by a commercial revolving promissory note with the Bank, which carries a variable interest rate of prime and matures on September 12, 2016. In addition, the Company has a commitment from the Bank in the amount of \$1,000,000 for an equipment line of credit, of which, the Company has used \$427,110.

At June 30, 2016, the Company had cash and cash equivalents totaling \$779,504 and \$1,084,309 of investment securities available for sale compared to cash and cash equivalents totaling \$1,735,621 and \$1,041,790 of investment securities available for sale at December 31, 2015. Investment securities available for sale at June 30, 2016 consist of shares of USVAX (a Virginia Bond Fund). The decrease in cash is primarily the result of higher level of accounts receivable at June 30, 2016 than at December 31, 2015, the purchase of capital assets and the repayment of notes payable.

Capital spending totaled \$1,260,659 for the six months ended June 30, 2016, as compared to \$506,893 for the same period in 2015. The 2016 expenditures were for land, new construction vehicles, additional rental barrier and miscellaneous manufacturing equipment. The Company plans to make additional capital purchases of approximately \$750,000 over the remainder of the year. Some of the capital purchases for the remainder of the year will be for equipment to outfit the recently purchased Columbia facility. The capital purchases for Columbia could be as high as \$500,000 which will provide rolling stock and production equipment needed to run the facility. During the period ended June 30, 2016, the Company exceeded a bank loan covenant limiting the purchase of capital assets to \$1,000,000.

The Company's mortgage note payable is financed at a fixed rate of 3.99% per annum. This leaves the Company almost impervious to fluctuating interest rates. Increases in such rates will only slightly affect the interest paid by the Company annually. Slightly more than 50% of the Company's debt obligations are financed at a fixed interest rate so that each 1% increase in the interest rates of the Company's outstanding debt will reduce income by approximately \$1,500 annually due to the fluctuating interest rates.

On July 21, 2016, in order to finance the Columbia, South Carolina purchase described above, the Company borrowed \$1,317,500 from the Bank. Such loan is evidenced by a promissory note, dated July 19, 2016 (the "Note"). The Note provides for a 15 year term, a fixed annual interest rate of 5.29%, monthly fixed payments of \$10,672.91 and a security interest in favor of the Bank in respect of the land, building and fixtures purchased with the proceeds of the loan.

The Company's cash flow from operations is affected by production schedules set by contractors, which generally provide for payment 35 to 90 days after the products are produced. This payment schedule may result in liquidity problems for the Company because it must bear a portion of the cost of production before it receives payment from its customers. The Company's average days sales outstanding, excluding the effect of unbilled revenue was 81 days for the six months ended

June 30, 2016 compared to 88 days for the year ended December 31, 2015. The Company purchased an accounts receivable tracking and collection system during the year to help reduce the days sales outstanding for collections.

Although no assurances can be given, the Company believes that anticipated cash flow from operations and the availability under the lines of credits will be sufficient to finance the Company's operations for at least the next twelve months.

The Company's inventory was \$2,702,769 at June 30, 2016 and at December 31, 2015 was \$2,494,284, or an increase of \$208,485. Inventory turnover was 8.3, annualized, for the six months ended June 30, 2016, compared to 10.0 for the same period in 2015.

#### Critical Accounting Policies and Estimates

The Company's critical accounting policies are more fully described in its Summary of Accounting Policies to the Company's consolidated financial statements on Form 10-K for the year ended December 31, 2015. The preparation of consolidated 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 consolidated 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.

#### 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 a more significant 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

Raw material costs for the Company, cement, aggregates and other direct materials used in production, except for steel that has decreased slightly, had a slight increase in 2015 and the first six months of 2016 and the Company anticipates prices will increase only slightly over the remainder of 2016.

#### Sales Backlog

As of August 11, 2016, the Company's sales backlog was approximately \$13.3 million, as compared to approximately \$18.0 million at the same time in 2015. It is estimated that substantially all of the projects in the sales backlog will be

produced within 12 months. The Company also maintains a regularly occurring repeat customer business, which should be considered in addition to the ordered production backlog described above. These orders typically have a quick turn around and represent purchases of a significant portion of the Company's inventoried standard products, such as highway safety barrier, utility and Easi-Set® and Easi-Span® building products. Historically, this regularly occurring repeat customer business has ranged from \$5.0 million to \$7.0 million annually which excludes royalties and barrier rental.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

ITEM 4. Controls and Procedures

(a) Disclosure controls and procedures

The Company carried out our evaluation, under the supervision and with the participation of our management, including our chief executive officer and 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 this evaluation, the chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures were effective at June 30, 2016.

(b) Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the three months ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1A. Risk Factors

Not required

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosures

Not applicable

ITEM 5. Other Information

None

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ITEM 6. Exhibits

| Exhibit<br>No. | Exhibit Description                                                                                                                 |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------|
| 31.1           | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.     |
| 31.2           | Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934. |
| 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.                                                                             |

SIGNATURES

Pursuant to the requirements 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  
(Registrant)

Date: August 11, 2016 By: /s/ Rodney I. Smith  
Rodney I. Smith, Chief Executive Officer  
(Principal Executive Officer)

Date: August 11, 2016 By: /s/ William A. Kenter  
William A. Kenter, Chief Financial Officer  
(Principal Financial Officer)

Smith-Midland Corporation  
Exhibit Index to Quarterly Report on Form 10-Q  
For The Three Months Ended June 30, 2016

| Exhibit<br>No | Exhibit Description                                                                                                                 |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------|
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| 101.LAB       | XBRL Taxonomy Extension Label Linkbase Document.                                                                                    |
| 101.PRE       | XBRL Taxonomy Extension Presentation Linkbase Document.                                                                             |