

SMITH-MIDLAND®
EXCELLENCE IN PRECAST CONCRETE

2020 Annual Report

It's all about teamwork



SlenderWall longspan panel prototype



SlenderWall
in NJ

Multiple award winning
SlenderWall project in
Tysons Corner, VA



Custom Bridgework in Northern Virginia



Custom noise wall
in Arlington, VA



Retaining wall
production in NC



Production work on I-66
SoftSound noise wall



To All Smith-Midland Stakeholders

Results of Operations for 2020

For over six decades, Smith-Midland has been a leader in innovative precast concrete products. In 2020 the Company continued to execute against our long-term, strategic vision. We achieved exciting milestones in 2020 including: uplisting to the NASDAQ, strengthening our liquidity position, expanding our licensee network and entering new geographical markets all while operating in a historically dynamic macro environment. At Smith-Midland, our team met the unique demands 2020 presented and successfully delivered. This marks the Company's sixth consecutive year of positive earnings. Earnings per share for 2020 improved 34 percent when compared to 2019. Revenues declined slightly over the prior year while net income increased 37 percent. Our proactive shift to drive the rental business was the primary contributor to strong margins and cost reductions. With regulatory tailwinds at our back, we are well positioned to meet anticipated increases in infrastructure demand moving forward.

Precast Concrete Manufacturing Operations

Precast concrete product revenues were mixed during 2020 over the prior year due to the impacts of the COVID-19 pandemic. The Company saw a significant year-over-year increase in architectural panel sales and saw increased production levels in the fourth quarter as we completed a large project awarded this year. We also worked to fulfill the largest sound wall contract in the Company's history. Reductions in barrier sales during 2020 was a result of the Company's strategic shift to higher margin barrier rentals and the Company expects barrier sales to continue to decline as we execute this strategic plan. Some products that experienced pressure include our Easi-Set buildings and utility product sales. We expect these product sales to recover as the world continues to progress toward reopening. Backlog is moving in the right direction and we are seeing improving trends across the business. At Smith-Midland, we are continuously working to advance operational efficiencies through lean manufacturing methodologies.

Easi-Set Worldwide Precast Concrete Licensing

While the prior year was challenging on many fronts, Smith-Midland was able to maintain the number of licensees and the amount of royalty revenues generated in this unprecedented time. Our patented J-J Hooks interlocking barrier system gained approval in several new geographies during 2020, and in early 2021 gained approval in California, which has the second largest highway system in the

United States. J-J Hooks self-aligning barriers are now approved in 38 states and provinces and Smith-Midland continues to increase market share with our superior patented barrier system. The Company is also gaining traction with our proprietary, light-weight SlenderWall cladding system. While we did see reduced activity due to the impacts of COVID-19, we are seeing accelerating activity and continue to build out our sales force to meet the influx of infrastructure spend expected in the coming years.

Concrete Safety Barrier Rentals

The Company's barrier rental revenues grew an impressive 176 percent compared to the prior year. While some of the increase was driven by short-term special barrier projects, which are not expected to reoccur, a strong portion of the rental revenue growth is attributed to the Company's decisive shift to increase barrier rentals resulting in higher margins. Smith-Midland remains on track to meet our target of expanding the rental fleet to exceed 500,000 linear feet within two years, executing on the strategic shift to barrier rentals.

Future Outlook

Smith-Midland's resilience and adaptability while navigating the historic macro challenges presented in 2020 were remarkable. Our team's performance, the diversification in our portfolio, and the financial strength of the company makes me even more optimistic about the opportunities in 2021 and beyond. The Company remains keenly focused on our long-term strategic objectives including: growing our rental business, expanding our licensee network to drive royalty revenues, gaining entry to new geographic regions with our patented and proprietary products, and continuously improving to drive efficiencies. The Smith-Midland team looks forward to a year of opportunity with strong regulatory tailwinds. Smith-Midland continues to be aligned with shareholders to drive long-term shareholder value.



Sincerely,

A handwritten signature in dark ink that reads "Ashley B. Smith". The signature is fluid and cursive, written over a light background.

Ashley B. Smith
Chief Executive Officer

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

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended December 31, 2020**

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

(State or Other Jurisdiction of Incorporation or Organization)

54-1727060

(I.R.S. Employer Identification No.)

P.O. Box 300, 5119 Catlett Road
Midland, Virginia 22728

(Address of Principal Executive Offices, Zip Code)

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

Securities Registered Under Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, \$0.01 par value per share	SMID	NASDAQ

Securities Registered Pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

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 30, 2020 (the last business day of the Company's most recently completed second fiscal quarter) was \$29,911,628. 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 8, 2021, the Company had outstanding 5,202,158 shares of Common Stock, \$.01 par value per share, net of treasury shares.

Documents Incorporated By Reference

None

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 the negative of those terms. Potential risks and uncertainties include, among other things, such factors as:

- Although the ultimate impact is uncertain at this time, the coronavirus outbreak may significantly affect the Company's financial condition, liquidity, and future results of operations. In this respect, the Company has already experienced the following negative impacts on its business: a reduction in revenues in 2020 from that of 2019, backlog reduction, lower production volumes, employee absence, bidding restrictions within certain key states, and minor delays in receipt of materials through the Company's supply chain,
- while the Company reported net income for the years ended December 31, 2020 and 2019, there are no assurances the Company can remain profitable in future periods,
- our debt level increased in 2020 and 2019, and our ability to satisfy the same cannot be assured,
- our ability to collect accounts receivable may be adversely affected by the coronavirus outbreak,
- the continued availability of financing in the amounts, at the times, and on the terms required, to support our future business and capital projects,
- while we have expended significant funds in recent years to increase manufacturing and rental capacity, there is no assurance that we will achieve significantly greater sales,
- 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 areas,
- adverse weather, which inhibits the demand for our products, or the installation or completion of projects,
- our compliance with governmental regulations,
- the outcome of future litigation, if any,
- the decrease in our year to year contract backlog,
- our ability to produce and install product on material construction projects 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, 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 and systems for use primarily in the construction, highway, utilities and farming industries through its six wholly-owned subsidiaries. The Company's precast, licensing, 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 and marketing 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 patented sound barrier primarily for roadside use; Easi-Set® and Easi-Span® patented transportable concrete buildings; 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; Smith-Columbia Corporation, a South Carolina corporation; Easi-Set Industries, Inc., a Virginia corporation doing business as Easi-Set Worldwide; 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 concrete products market 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, and Trinidad.

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 some 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 offsite in a "batch plant," and delivered with a concrete mixer truck where it is mixed 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.

SlenderWall® Lightweight Construction Panels

The SlenderWall® system is a patented 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 upon installation. The base components of each SlenderWall® panel consists of a galvanized stud frame with an exterior surface of approximately two-inch thick, steel reinforced, high-density, precast concrete (with integral water repellent), a thermal break, and various architectural surfaces. The exterior architectural concrete facing is attached to the interior steel frame by use of coated stainless steel fasteners that position the exterior concrete away from the steel frame to provide improved thermal performance.

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, ease of erection, and 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, metal, or thin brick and can be integrated with other cladding materials.

Sierra Wall™

The 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 alongside highways around residential, industrial, and commercial properties. 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 foundation connection make Sierra Wall easy to install and move if boundaries change or highways are relocated after the completion of a project. The patented Sierra Wall II 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 or prestressed 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.

J-J Hooks® Highway Safety Barrier

The 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 (in free-standing, bolted, or pinned installations) in construction work zones or 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 ("FHWA") requires that states use only positively connected barriers, which meet NCHRP-350 or MASH crash test requirements. J-J Hooks Barriers that meet NCHRP-350 and MASH TL3 requirements are deemed eligible by the FHWA for federal-aid reimbursement. The Company has been issued patents with respect to J-J Hooks in the United States, Canada, and other countries.

The Company has received "design protection" in the U.S for the "end taper" on each end of the barrier sections. The United States has issued a "trade dress" registration for the "end taper" design feature. Accordingly, in the United States, these features cannot be legally copied by others.

The proprietary feature of J-J Hooks Barrier 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, resembling 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 "J-Hook" face each other. To connect one section of a J-J Hooks Barrier to another, a contractor merely positions the J-Hook of an elevated section of the barrier above the J-Hook of a set section and lowers the elevated section into place. The positive connection is automatically engaged using the cast-in alignment slot.

The Company believes that the J-J Hooks Barrier connection design is superior to other 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, require a smaller crew, and eliminates the need for loose hardware to make the connection.

In March 1999, the FHWA approved the free-standing J-J Hooks Barrier (tested in accordance with NCHRP-350 Test Level 3) following successful crash testing in accordance with National Cooperative Highway Research Program requirements. In December 2012 the FHWA approved the pinned and bolted J-J Hooks and in March 2018 approved the free-standing J-J Hooks. In September 2018 the FHWA approved a 20-foot design originally tested to NCHRP-350 TL3 requirements and approved by the FHWA (tested in accordance with MASH Test Level 3) for use on federally aided highway projects following the successful completion of crash testing based on criteria from the AASHTO Manual for Assessing Safety Hardware.

J-J Hooks NCHRP-350 free-standing barrier has been approved for use on state and federally 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 restrained (pinned or bolted) barrier successfully passed the MASH TL3 tests in August of 2012 and received FHWA Eligibility Letters in December 2012. Currently 38 states have approved the MASH restrained barrier and 34 states have approved the MASH free-standing design as an alternate to their state standard. In Canada, the provinces of Alberta and Nova Scotia have approved the MASH tested barrier. The new J-J Hooks free-standing barrier successfully passed the two required MASH TL3 tests and in January 2018 and August 2018 received the FHWA federal-aid eligibility letters. The FHWA Eligibility letters B300 and B307 have been issued as of February 2018 and September 2018, respectively.

Easi-Set Precast Buildings and Easi-Span® Expandable Precast Buildings

Easi-Set Precast Buildings are transportable, prefabricated, single-story, all concrete buildings 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 and Restrooms are available in a variety of exterior finishes and in 38 standard sizes, or can be custom sized. The roof and floor of each Easi-Set Building is manufactured using the Company's 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 has been issued patents in connection with this product in the United States and Canada.

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.

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 utilize a "wood chip 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 still 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

Beach Prisms™ is 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. 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 received "design protection" in the United States for the Beach Prisms™ in 2010. State and local approvals are necessary for installation of the product, and the Company has experienced challenges receiving approvals in their local markets.

H2Out™ Secondary Drainage System

H2Out™ is 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 and, in the case of Beach Prisms™, there can be no assurance of regulatory approvals.

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 experienced minor delays in obtaining materials, but believes that it will 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 sale rights for certain proprietary products, such as the J-J Hooks® Barrier, Easi-Set®/Easi-Span® Precast Buildings, SlenderWall®, SoftSound™ and Beach Prisms™. Generally, licenses are granted for a point of manufacture. The Company receives an initial one-time training and administration license fee varying on the product licensed. 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 & promotional programs. The Company produces and distributes advertising & promotional materials and promotes the licensed products through its own advertising subsidiary, Midland Advertising + Design.

The Company maintains 54 licensing agreements in the United States, 9 in Canada, and 1 each in Australia, Belgium, Mexico, New Zealand and Trinidad, for a total of 68 licenses worldwide.

The Company is continually discussing new license arrangements with potential precast companies and, although no assurance can be given, expects to increase its licensing activities.

Marketing and Sales

The Company uses 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, virtual meetings, 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 within a 450 mile radius from its facilities, which includes the majority of the eastern United States.

The Company's precast product sales 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 production and delivery time, ability to customize, FHWA and state approval, and customer service. The Company believes that its plants in Midland, Virginia, Reidsville, North Carolina and Hopkins (Columbia), South Carolina compete favorably with respect to each of these factors in the Mid-Atlantic and Southeastern regions of the United States. Finally, the Company believes it offers a broad range of products that are very competitive in these markets.

Intellectual Property

The Company seeks to protect our intellectual property rights by relying on federal, state and common law rights in the United States and other countries, as well as contractual restrictions. Our intellectual property assets include patents, patent applications, trade secrets, trademarks, trade dress, copyrights, operating and instruction manuals, crash tests, non-disclosure and other contractual arrangements.

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. Even if a competitor's products were to infringe patents held by the Company, enforcing the patent rights in an enforcement action could 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.

Human Capital Resources

As of March 8, 2021, the Company had a total of 200 employees, of which 162 are full-time, 8 are part-time and 30 are temporary workers, with 141 located at the Company's Midland, Virginia facility, 29 are located at the Company's facility in Reidsville, North Carolina and 30 are located at the Company's facility in Hopkins (Columbia), South 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.

We manage our Company according to our vision, mission, and core principles. Included among these principles are respect for people, lead with humility, kaizen spirit, focus on process, seek perfection, assure quality at the source, create consistency of purpose, embrace scientific thinking, think systemically, and create value for the customer. We continue to focus on training and development of our associates at every level in the organization, and pride ourselves on safety, quality, delivery, morale, and cost. We expect that these approaches to leading and empowering our associates will create trust with our customers, creating sustainability and growth of the business.

Item 1A. Risk Factors

Not applicable

Item 1B Unresolved Staff Comments

Not applicable

Item 2. Properties

Facilities

The Company operates three manufacturing facilities. The largest manufacturing operations facility is a 44,000 square foot manufacturing plant located on approximately 28 acres of land in Midland, Virginia, of which the Company owns approximately 25 acres and 3 acres are leased from Rodney I. Smith, the Company's Chairman of the Board, 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 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 owns an additional 19 acres in Midland, Virginia, approximately two miles from the operations facility, of which 3 acres is developed as a storage yard for the rental barrier division.

The Company's second manufacturing facility is located in Reidsville, North Carolina on 46 acres of owned land and includes a 15,000 square foot manufacturing plant and administrative offices with additional space for future expansion. The facility began production in the fourth quarter 2019. The previous North Carolina facility, on ten acres of owned land, including an 8,000 square foot manufacturing plant with administrative offices, remains operational with future use not determined at this time.

The Company's third manufacturing facility is located in Hopkins (Columbia), South Carolina. The facility is located on 39 acres of land owned by the Company and has approximately 40,000 square feet of production space and administrative offices. The South Carolina facility gives the Company sufficient capacity to cover additional territory from the Atlantic Coast region to the northern part of Florida.

The Company's present facilities are adequate for its current needs.

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 NASDAQ Capital Market under the symbol "SMID".

As of March 8, 2021, there were approximately 200 record holders of the Company's Common Stock. Management believes there are at least 900 beneficial owners of the Company's Common Stock.

Dividends

Although the Company paid a dividend for the previous eight consecutive years, the Company did not declare a dividend in 2020. 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, bank loan covenants, general economic conditions, potential coronavirus outbreak concerns, and other pertinent factors.

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. Dollar amounts are in thousands, except for per share amounts.

The Company generates revenues primarily from the sale, leasing, licensing, shipping and installation of precast concrete products and systems for the construction, utility and farming industries. The Company's operating strategy has involved producing and marketing innovative and proprietary products, including Slenderwall™, a patent pending, lightweight, energy efficient concrete and steel exterior wall panel for use in building construction; J-J Hooks® Barrier, a patented positive-connected highway safety barrier; Sierra Wall™, a patented 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 custom order precast concrete products with various architectural surfaces.

As a part of the construction industry, the Company's sales and net income may vary greatly from quarter to quarter over a given year. Because of the cyclical nature of the construction industry, many factors not under our control, such as weather and project delays, affect the Company's production schedule, possibly causing a momentary slowdown in sales and net income. As a result of these factors, the Company is not always able to earn a profit for each period, therefore, please read Management's Discussion and Analysis of Financial Condition and Results of Operations and the accompanying financial statements with these factors in mind.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. The Company has already experienced an adverse impact to its business by a reduction in revenues in 2020 from that in 2019, a reduction in backlog, lower production volumes, employee absence, bidding restrictions within certain key states such as Maryland and North Carolina, and minor delays in receipt of materials through the Company's supply chain. The Company may be further negatively impacted in the following respects:

- a) by the potential inability of customers of the Company to pay amounts owed to the Company for products or services already provided should their businesses suffer setbacks; this risk is heightened by the relatively long lag time experienced by the Company in collecting accounts receivable (see "Liquidity and Capital Resources" below);

- b) by potential supply side issues should our vendors experience hardships, and have to reduce or terminate operations, due to the COVID-19 outbreak, impacting the Company's sourcing of materials;

- c) by increased adverse effects on our workforce due to contracting or taking care of a relative who has contracted COVID-19, or have been quarantined by a medical professional; in this respect, our workforce has been impacted as of this date with an effect on operations at all locations, but this impact has diminished as of the filing date, but no assurance can be provided as to future impacts, particularly in view of new coronavirus outbreaks;

- d) in the event that any of the three states in which we have facilities provide for the quarantine of our manufacturing employees, our production manufacturing will be significantly affected;

- e) in the event that any of the states in which we sell our products and services may eliminate, cancel, or delay projects due to monetary limitations resulting from the COVID-19 outbreak; in this respect, the Company has experienced a reduction in bidding activity;

- f) the reduction of state infrastructure budgets due to the reduction in funding through the gas tax, or other funding sources;

- g) the increase in the overall loan defaults, which in turn impacts the banking sector's ability to fund projects in which the Company's products may be utilized; and

- h) in the event that economic hardships force the Company to default on loan payments, our loans may be called and our ability to borrow under our bank line of credit could cease;

Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Although the Company experienced a loss in the first quarter of 2020 and reduced revenues for the year 2020 as compared to 2019, as well as experiencing factors described above, given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to ultimately estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

The discussions below, including without limitation with respect to liquidity, are subject to the future effects of the COVID-19 outbreak. In this respect, should the outbreak cause serious economic harm in our areas of operation, our revenue expectations are unlikely to be fulfilled.

Overview

Overall, the Company's financial bottom line performance was higher in 2020 when compared to 2019. The Company had net income for 2020 in the amount of \$2,665 compared to net income of \$1,949 for 2019. Sales decreased by \$2,829 to \$43,862 in 2020 from \$46,691 in 2019. The decrease in sales is mainly attributed to the decrease in product sales, which was derived from reduced SlenderWall, Easi-Set Building, and barrier sales partially offset by an increase in Architectural sales. The reduction in barrier sales is in line with the Company's strategy to shift toward barrier rentals versus barrier sales. The decrease in product sales was offset in part by the significant increase in barrier rentals in 2020 compared to 2019 which is mainly due to the increased linear feet rented over the prior year, short-term special projects, and the continued revenue recognition of the deferred buy-back lease obligation (as described in our financial statements under "Summary of Significant Accounting Policies - Revenue Recognition - Sale to a Customer with a Buy-Back Guarantee - Lease Income"). The significant increase in barrier rentals also favorably impacted gross margins, excluding royalties, with an increase to 22% in 2020 from 18% in 2019. Operating expenses for 2020 remain in line with the prior year. The Company continues to manage costs with the strategic goals in place to increase marketing and sales efforts towards SlenderWall sales and barrier rentals.

Results of Operations

Year ended December 31, 2020 compared to the year ended December 31, 2019

For the year ended December 31, 2020, the Company had total revenue of \$43,862 compared to total revenue of \$46,691 for the year ended December 31, 2019, a decrease of \$2,829, or 6%. Revenue includes product sales, barrier rentals, royalty income, and shipping and installation revenues. Product sales are further divided into soundwall, architectural and SlenderWall™ panels, miscellaneous wall panels, highway barrier, Easi-Set®/Easi-Span® buildings, utility products, and miscellaneous precast products. The following table summarizes the revenue by type and a comparison for the years ended December 31, 2020 and 2019 (in thousands):

Revenue by Type (Disaggregated Revenue)	2020	2019	Change	% Change
Product Sales:				
Soundwall Sales	\$ 7,499	\$ 7,736	\$ (237)	(3)%
Architectural Sales	3,668	1,104	2,564	232%
SlenderWall Sales	948	5,063	(4,115)	(81)%
Miscellaneous Wall Sales	3,371	1,685	1,686	100%
Barrier Sales	5,507	8,582	(3,075)	(36)%
Easi-Set and Easi-Span Building Sales	2,935	5,937	(3,002)	(51)%
Utility Sales	1,310	1,608	(298)	(19)%
Miscellaneous Sales	1,538	513	1,025	199%
Total Product Sales	26,776	32,228	(5,452)	(17)%
Barrier Rentals	6,879	2,488	4,391	176%
Royalty Income	1,688	1,672	16	1%
Shipping and Installation Revenue	8,519	10,303	(1,784)	(17)%
Total Service Revenue	17,086	14,463	2,623	18%
Total Revenue	\$ 43,862	\$ 46,691	\$ (2,829)	(6)%

The revenue items: soundwall sales, architectural panel sales, SlenderWall sales, miscellaneous wall sales, barrier rentals, and royalty income are recognized as revenue over time. The revenue items: barrier sales, Easi-Set and Easi-Span building sales, utility sales, miscellaneous sales, and shipping and installation revenue are recognized as revenue at a point in time.

Soundwall Sales – Soundwall panel sales slightly decreased by 3% in 2020 compared to 2019 due primarily to the smaller number of projects in production during 2020 at the North Carolina and South Carolina facilities as compared to 2019. The Virginia plant continues to produce soundwall for the largest soundwall contract in Company history, which was initially awarded during 2018, and for which production is expected to continue in 2021.

Architectural Sales – Architectural panel sales significantly increased by 232% in 2020 compared to 2019. The Company had one large architectural panel project begin during the first quarter 2020 with continued production through the third quarter 2020. The Company was also awarded a large architectural project which began production the fourth quarter 2020, with additional production scheduled into 2021.

SlenderWall Sales – SlenderWall panel sales decreased by 81% in 2020 when compared to 2019. SlenderWall sales are generated on a project basis, and success is determined by the number and dollar value of projects awarded and produced in any particular period. The decrease is mainly attributable to the Company finishing production of a major SlenderWall project during the first and second quarter 2019, as compared to the completion of several smaller projects during the first quarter of 2020. The Company recorded revenue in the third quarter 2020 for a customer sample test panel which is part of the sales strategy to expand the product offering and capabilities. The Company continues to focus sales initiatives on SlenderWall, but no assurance can be given as to the success of this endeavor, particularly in light of the COVID-19 outbreak.

Miscellaneous Wall Sales – Miscellaneous wall sales can be highly customized precast concrete products or retaining and lagging panels that do not fit other product categories. Miscellaneous wall sales doubled in 2020 when compared to 2019. The Company was awarded various miscellaneous wall panel projects in the later part of 2019, with production expected to continue into 2021.

Barrier Sales – Barrier sales decreased by 36% in 2020 when compared to 2019. Aligning with the Company's strategy to shift to barrier rentals versus barrier sales, barrier sales are expected to continue to trend lower than previous periods.

Easi-Set® and Easi-Span® Building Sales – The Easi-Set® Buildings program includes Easi-Set®, plant assembled and Easi-Span®, site assembled, and an extensive line of pre-engineered restrooms. Building sales decreased significantly by 51% in 2020 as compared to 2019 which was mainly due to a large building and restroom project occurring in 2019 which was produced at multiple plants.

Utility Sales – Utility products are mainly comprised of underground utility vaults used in infrastructure construction. Utility product sales decreased by 19% in 2020 compared to 2019. The utility market is extremely competitive, with many competitors who specialize in lower priced utility products. The Company is much more competitive on larger quantity projects and continues to bid on utility projects.

Miscellaneous Product Sales – Miscellaneous products are products that are produced or sold that do not meet the criteria defined for other revenue categories. Examples would include precast concrete slabs, blocks or small add-on items. For 2020, miscellaneous product sales increased by 199% when compared to 2019. These products are typically small in nature and the Company focuses its priorities on larger, more profitable jobs.

Barrier Rentals – Barrier rentals increased by 176% in 2020 when compared to 2019. The increase was due to the higher quantity of linear feet rented than the previous year and a few short-term special projects, which carried slightly higher margins due to the complexity and risk of the projects. Barrier rentals were also positively impacted by the revenue recognition from the deferred buy-back lease obligation. As indicated above, the Company is shifting its focus to barrier rentals compared to barrier sales with the significant investment in the rental fleet in late 2019. Its success in this endeavor will be affected by the level of governmental spending on future public highway products, which spending may be adversely effected by cutbacks resulting from diversion of funds due to the COVID-19 outbreak.

Royalty Income – Royalties increased by 1% in 2020 as compared to 2019. Royalty income increased during the second half of the year 2020 with a large increase in barrier and building royalties. The Company is uncertain how the COVID-19 outbreak will impact each licensee in future periods. The Company continues to seek new license opportunities to expand product offerings around the world.

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, setting highway barrier, or setting any of our other precast products at a site specific to the requirements of the owner. Shipping and installation revenues decreased by 17% for 2020 when compared to 2019. The decrease is mainly a result of less SlenderWall and Easi-Set building installation occurring in 2020 as compared to the prior year.

Cost of Goods Sold – Total cost of goods sold for the year ended December 31, 2020 was \$32,820, a decrease of \$3,902, or 11%, from \$36,722 for the year ended December 31, 2019. Total cost of goods sold, as a percentage of total revenue not including royalties, decreased to 78% for the year ended December 31, 2020 from 82% for the year ended December 31, 2019. The decrease in cost of goods sold as a percentage of revenue, not including royalties is mainly due to the increase in barrier rentals, which typically have higher margins than product sales, and the short-term special projects, which carry slightly higher margins due to the complexity and risk of the projects.

General and Administrative Expenses – For the year ended December 31, 2020, the Company's general and administrative expenses increased by \$102, or 2%, to \$4,989 from \$4,887 during the same period in 2019. The increase is mainly attributed to the write-off of bad debts associated with retainage on two jobs.

Selling Expenses – Selling expenses for the year ended December 31, 2020 decreased by \$242, or 10%, to \$2,294 from \$2,536 for the year ended December 31, 2019. The reduction in selling expenses are attributed to a decrease in wages and sales commissions compared to the same periods in the prior year.

Operating Income – The Company had operating income for the year ended December 31, 2020 of \$3,759 compared to operating income of \$2,546 for the year ended December 31, 2019, an increase of \$1,213, or 48%. The increase in operating income was primarily the result of the increase in gross profit margins associated with barrier rentals.

Interest Expense – Interest expense was \$217 for the year ended December 31, 2020 compared to \$179 for the year ended December 31, 2019. The increase of \$38, or 21%, was due primarily to the debt financing on the North Carolina expansion project completed in the fourth quarter 2019.

Income Tax Expense – The Company had income tax expense of \$1,127 for the year ended December 31, 2020 compared to income tax expense of \$549 for the year ended December 31, 2019. The Company had an effective rate of 29.7% for the year ended December 31, 2020 compared to an effective rate of 21.9% for the same period in 2019. The increase in the tax rate is mainly attributed to the change in various state tax rates.

Net Income – The Company had net income of \$2,665 for the year ended December 31, 2020, compared to net income of \$1,949 for the same period in 2019. The basic and diluted income per share was \$0.51 for 2020, compared to basic and diluted income per share of \$0.38 for the year ended December 31, 2019. There were 5,185 basic and 5,185 diluted weighted average shares outstanding in 2020 and 5,142 basic and 5,147 diluted weighted average shares outstanding in the 2019.

Liquidity and Capital Resources

The Company financed its capital expenditures requirements for 2020 with cash flows from operations, cash balances on hand and notes payable to a bank. The Company had \$4,936 of debt obligations at December 31, 2020, of which \$740 is scheduled to mature within twelve months. During the twelve months ended December 31, 2020, the Company made repayments of outstanding debt in the amount \$2,868 and received \$2,793 in proceeds of borrowings mainly deriving from a refinance consolidating notes payable, yard expansion in Virginia, and a vehicle. The Company did not draw on the line of credit during the twelve months ended December 31, 2020.

The Company has a mortgage note payable to Summit Community Bank (the "Bank"), with a balance of \$227 as of December 31, 2020. The note has a maturity date of September 20, 2021 and a fixed interest rate of 3.99% annually with monthly payments of \$26 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 for any one individual loan so long as the Company is not in default.

The Company has a mortgage note payable to the Bank for the construction of its North Carolina facility. The note carries a ten year term at a fixed interest rate of 3.64% annually per the Promissory Note Rate Conversion Agreement, with monthly payments of \$22, and is secured by all of the assets of Smith-Carolina and a guarantee by the Company. The balance of the note payable at December 31, 2020 was \$2,008.

On March 27, 2020, the Company completed the refinancing of existing loans with a note payable to the Bank in the amount of \$2,701. A portion of the funds in the amount of \$678 were secured for improvements to an existing five acre parcel for additional storage at the Midland, Virginia plant. The loan is collateralized by a first lien position on the Virginia property, building, and assets. The refinance also released the lien on the Smith-Columbia plant in Hopkins, South Carolina (Columbia). The interest rate per the Promissory Note is fixed at 3.99% per annum, with principal and interest payments payable monthly over 120 months in the amount of \$27. The loan matures on March 27, 2030. The balance of the note payable at December 31, 2020 was \$2,535.

The Company additionally has 5 smaller installment loans with annual interest rates between 3.99% and 5.29%, maturing between 2020 and 2025, with varying balances totaling \$166.

Under the loan covenants with the Bank, the Company is limited to annual capital expenditures of \$3,500 and must maintain tangible net worth of \$10,000. The Company is in compliance with all covenants pursuant to the loan agreements as of December 31, 2020.

In addition to the notes payable discussed above, on April 16, 2020, the Company obtained a loan, evidenced by a promissory note, under the Paycheck Protection Program (the "PPP") from the Bank in the amount of \$2,692. The PPP provides for loans to qualifying businesses, the proceeds of which may only be used for payroll costs, rent, utilities, mortgage interest, and interest on other pre-existing indebtedness (the "permissible expenses"). The interest rate per the promissory note, dated April 16, 2020 and executed by the Company in favor of the Bank, is fixed at 1.00% per annum, with principal and interest payments starting thirty (30) days after the amount of forgiveness is determined under section 1106 of the CARES Act. The loan matures on April 16, 2022. The proceeds of the loan must be utilized pursuant to the requirements of the PPP, and all or a portion of the loan may be forgiven in accordance with the PPP applicable rules, regulations, and guidelines. Pursuant to the loan agreement relating to the PPP loan, the Bank may accelerate the loan in the event of a default under this or any other loan agreement with the Bank. The Company has currently applied for loan forgiveness in the full amount of the loan, but no assurance can be given as to the amount, if any, of forgiveness.

Also in addition to the notes payable discussed above, the Company has a \$4,000 line of credit with the Bank with no balance outstanding as of December 31, 2020. The line of credit is evidenced by a commercial revolving promissory note which carries a variable interest rate of prime and matures on October 1, 2021. 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 \$3,500 during the term of the loan; and (ii) to obtain bank approval prior to its funding any acquisition. On October 21, 2020 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 \$1,500. The commitment provides for the purchase of equipment 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 0.50% with a floor of 4.00% 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 21, 2021. As of December 31, 2020, the Company had not purchased any equipment pursuant to the \$1,500 commitment.

At December 31, 2020, the Company had cash totaling \$8,764 and \$1,228 of investment securities available for sale compared to cash totaling \$1,364 and \$1,176 of investment securities available for sale at December 31, 2019. Investment securities at December 31, 2020 consist of shares of USVAX (a Virginia Bond Fund). During 2020, the Company's operating activities provided \$7,487 of cash due mainly to operating income and the collection of accounts receivable. In 2020, investing activities used \$2,421 in cash primarily for the yard expansion in Virginia, the purchase of rental barrier, manufacturing equipment, and a vehicle. Financing activities provided \$2,334 in cash in 2020, resulting primarily from the PPP loan received in April as a result of the CARES Act.

Capital spending, including financed additions, decreased from \$4,513 in 2019 to \$2,627 in 2020. Capital expenditures in 2020 included spending for the yard expansion in Virginia, rental barrier, manufacturing equipment, and a vehicle. While the Company anticipates capital spending for 2021 to be approximately \$2,000, excluding acquisitions and plant expansions (which none are anticipated at this time), such plans may change if the Company is adversely effected by the coronavirus outbreak.

The Company's three mortgage notes payable are financed at fixed rates of interest. This leaves the Company almost impervious to fluctuating interest rates. Increases in such rates will only slightly affect the interest paid by the Company on an annual basis. Approximately 95% 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 annually.

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 2020 and 2019 was 89 days for both periods. Although no assurances can be given, the Company believes that its current cash resources, anticipated cash flow from operations, the availability under the line of credit, and the Payment Protection Plan loan received during the second quarter 2020 will be sufficient to finance the Company's operations for at least the next 12 months.

The Company's inventory at December 31, 2020 was \$2,194 and at December 31, 2019 was \$2,242, a decrease of \$48. The annual inventory turns for 2020 and 2019 were 13.9 and 12.1, respectively. The inventory turns for 2020 have increased due to the Company having limited inventory, and all major contracts were recognized in revenue as produced. Finished goods inventory decreased for 2020 as compared to 2019 mainly staying consistent with prior years by limiting standard products produced and held at the end of 2020.

Critical Accounting Policies

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, comparative accounts receivable aging statistics, and other customer specific considerations existing and known as of the time of the analysis. 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 over time. Certain sales of Soundwall, Slenderwall, and other architectural concrete products are recognized over time because as the Company's performance creates or enhances customer controlled assets or creates or enhances an asset with no alternative use, and the Company has an enforceable right to receive compensation. Over time product contracts are estimated based on the number of units produced (output method) during the period multiplied by the unit rate stated in the contract. As the output method is driven by units produced, the Company recognizes revenues based on the value transferred to the customer relative to the remaining value to be transferred. The Company also matches the costs associated with the units produced. If a contract is projected to result in a loss, the entire contract loss is recognized in the period when the loss was first determined and the amount of the loss updated in subsequent reporting periods. Revenue recognition also includes an amount related to a contract asset or contract liability. If the recognized revenue is greater than the amount billed to the customer, a contract asset is recorded in accounts receivable - unbilled. Conversely, if the amount billed to the customer is greater than the recognized revenue, a contract liability is recorded in customer deposits on uncompleted contracts. Changes in the job performance, job conditions and final contract settlements are factors that influence management's assessment of total contract value and therefore, profit and revenue recognition.

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 2020 and 2019, particularly in the purchases of certain raw materials such as cement and steel. The Company believes that raw material pricing will slightly increase in 2021, although no assurance can be given regarding future pricing.

Backlog

As of March 8, 2021 the Company's sales backlog was approximately \$19.6 million as compared to approximately \$30.9 million at approximately the same time in 2020. It is estimated that most of the projects in the sales backlog will be produced within 12 months, but a few will be produced through the year 2022. The reduction in backlog was due to reduced bidding opportunities and delays in contract awards. The Company expects the backlog to increase with continued bidding on large infrastructure and SlenderWall/architectural projects, although no assurance can be given.

The risk exists that recessionary economic conditions and the coronavirus outbreak 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 to evaluate both production and administrative processes, and has streamlined many of these processes through lean activities. During 2020 and 2019, the Company, through lean activities, continued to see positive effects in production and office areas. The lean business philosophy is a long-term, customer focused approach to eliminating waste and providing value. It is management's intention to continue on the lean journey while implementing a lean culture throughout the Company to help reach our goals for 2021. The Company's lean efforts are aimed to increase quality to the customer, significantly reduce defects, while increasing production capacity and sales volume. In order to meet these goals, substantial improvements through lean tools and lean thinking are being implemented company wide.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements table of contents, which appears on page F-1, 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 consolidated 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 (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as of December 31, 2020, 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, 2020 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	82	1970	Chairman of the Board of Directors
Ashley B. Smith	58	1994	Chief Executive Officer, President, and Director
Wesley A. Taylor	73	1994	Director
James Russell Bruner	65	2018	Director
Richard Gerhardt	54	2016	Director
Adam J. Krick	35	2018	Chief Financial Officer, Secretary, and Treasurer

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.* Rodney I. Smith co-founded the Company in 1960 and became its President and Chief Executive Officer in 1965. He served as President until 2012 and Chief Executive Officer until May 2018. 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. *Chief Executive Officer, President, and Director.* Ashley B. Smith has served as Chief Executive Officer of the Company since May 2018, President of the Company since 2012, and as a Director since 1994. Mr. Smith was Vice President of the Company from 1990 to 2011. He is a past Chairman of the National Precast Concrete Association. Mr. Smith serves on the Board of Trustees of Bridgewater College in Bridgewater, Virginia. 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 gives him the qualifications and skills necessary to serve in the capacity as a director.

Wesley A. Taylor. *Director.* Wesley A. Taylor served as Vice President of Administration of the Company from 1989 until January 2017 and has served as a Director since 1994. 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.

James Russell Bruner. *Director.* Mr. Bruner has served as a member of the Board of Directors of the Company since December 2018. Mr. Bruner has served as Chairman of Maersk Line, Limited (“Maersk Line”) since November 2016 and was President and Chief Executive Officer of Maersk Line from January 2014 to November 2017. Maersk Line owns and operates a fleet of container and tanker ships that are under the flag of the United States. These ships support military, government and humanitarian missions through the transportation of United States government cargo on an international basis. Maersk Line operates as a subsidiary of A.P. Moller-Maersk A/S, an integrated transport and logistics company headquartered in Copenhagen, Denmark. Mr. Bruner attended Bridgewater College in Virginia. He is a graduate of the University of Michigan Executive Program and Harvard Business School's Advanced Management Program. The Company believes that Mr. Bruner'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.

Richard Gerhardt. *Director.* Mr. Gerhardt has served as a member of the Board of Directors of the Company since 2016. He currently President of Sales Services International, Inc., a consulting firm, and Chief Sales Officer for IMEX Global Solutions, Inc., a logistics company, since April 2019, and is also serving as a Fauquier County, Virginia Supervisor for the Cedar Run Magisterial District since January 2016. From 2003 to 2014, Mr. Gerhardt served in an escalating succession of positions for three global shipping and logistic companies: DHL Global Mail, ESI Global Logistic and MSI Worldwide. His eight years as President, Chief Operating Officer, and shareholder of MSI Worldwide culminated in its acquisition by Belgian Post. Mr. Gerhardt holds a Bachelor of Arts in Business Administration with a minor in Economics from Washington College in Chestertown, Maryland. The Company believes that Mr. Gerhardt'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.

Adam J. Krick. *Chief Financial Officer.* Adam J. Krick has served as Chief Financial Officer of the Company since January 2018. Prior to becoming the Chief Financial Officer, Mr. Krick served as the Accounting Manager for the Company since 2014. Prior to joining the Company, Mr. Krick worked in public accounting focusing on tax and business consulting. Mr. Krick serves as the Treasurer for Precast/Prestressed Concrete Institute Mid-Atlantic Chapter. Mr. Krick is a Certified Public Accountant and holds a Bachelor of Business Administration degree in Accounting from James Madison University.

Section 16(a) Reports

Section 16(a) (“Section 16(a)”) of the Securities Exchange Act of 1934, as amended, 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 and any national securities exchange on which the Company’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 2020.

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 June 3, 2020. 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. The code of ethics is also posted on the Company's website at www.smithmidland.com on the home page.

Audit Committee

The Company created an Audit Committee in August 2018. The Audit Committee consists of James Russell Bruner, Richard Gerhardt, and Wesley A. Taylor, the three independent board members. Mr. James Russell Bruner is an audit committee financial expert.

Item 11. Executive Compensation

The following table sets forth the compensation paid by the Company for services rendered for 2020 and 2019 to the principal executive officer, as well as the other executive officer of the Company (the “named executive officers”):

Summary Compensation Table

	Year	Salary (\$)(1)	Bonus (\$)(2)	Stock Awards (\$)	All Other Compensation (\$)	Total (\$)
Ashley B. Smith Chief Executive Officer and President (3)	2020	313,666	133,894	89,800	—	537,360
	2019	275,100	152,420	—	—	427,520
Adam J. Krick Chief Financial Officer (4)	2020	168,468	34,687	53,880	—	257,035
	2019	144,569	55,741	—	—	200,310

(1) Represents salaries paid in 2020 and 2019 for services provided by each named executive officer serving in the capacity listed.

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

(3) Includes 10,000 restricted shares granted in December 2020 pursuant to the Company's 2016 Equity Incentive Plan, which 3,333 shares vested in full immediately on the grant date, 3,333 shares vest one year following the grant date, and the remaining 3,334 vest two years following the grant date. The value of the common stock shares at the grant date was \$89,800.

(4) Includes 6,000 restricted shares granted in December 2020 pursuant to the Company's 2016 Equity Incentive Plan, which 2,000 shares vested in full immediately on the grant date, 2,000 shares vest one year following the grant date, and the remaining 2,000 vest two years following the grant date. The value of the common stock shares at the grant date was \$53,880.

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, 2020.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$/Sh)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)(1)	Market Value of Shares or Units of Stock that have not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested (\$)
Ashley B. Smith	—	—	—	—	—	—	6,667	\$ 63,003
Adam J. Krick	—	—	—	—	—	—	4,000	\$ 37,800
TOTAL	—	—	—	—	—	—	10,667	\$ 100,803

(1) Restricted shares granted vest, ratably, with 1/3 vesting immediately upon grant, 1/3 one year following the grant date, and 1/3 two years following the grant date. All shares were granted in December 2020.

Compensation of Directors

All non-executive officer Directors receive \$3,000 per meeting as compensation for their services as Directors, with an additional \$3,000 annual fee for service as the chair of the Audit Committee, \$3,000 annual fee for service as the chair of the Compensation Committee, and \$6,000 annual fee for service as the Chairman of the Board.

The Company does not pay any additional compensation to directors who are members of our management or are employed by the Company, but the Company reimburses all directors for out-of-pocket expenses incurred in connection with attending Board and committee meetings or otherwise in their capacity as directors.

Fiscal 2020 Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)	Non-Equity Incentive Plan Compensation	Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total (\$)
Rodney I. Smith (2)	15,000	13,470	—	—	—	—	28,470
Ashley B. Smith (3)	—	—	—	—	—	—	—
Wesley A. Taylor	9,000	35,920	—	—	—	—	44,920
James Russell Bruner	12,000	35,920	—	—	—	—	47,920
Richard Gerhardt	12,000	35,920	—	—	—	—	47,920

(1) Restricted shares granted vest, ratably, with 1/3 vesting immediately on grant, 1/3 one year following the grant, and 1/3 two years following the grant date. All shares were granted in December 2020.

(2) Does not include an annual royalty fee of \$99,000 paid to Mr. Smith, pursuant to an employment agreement, payable as consideration for his assignment to the Company of all of his rights, title, and interest in certain patents.

(3) All compensation for Ashley B. Smith is reported in Item 11. Executive Compensation.

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

The Company has entered into an employment agreement (the “Employment Agreement”), dated as of November 11, 2020, with Ashley B. Smith pursuant to which Mr. Smith serves as the Chief Executive Officer and President of the Company.

The Employment Agreement is for a term of three years commencing on November 11, 2020 (the “Effective Date”) through and including November 10, 2023 (the “Employment Period”), subject to early termination as provided therein. Commencing on the first anniversary of the Effective Date, and on each annual anniversary thereafter (such date and each annual anniversary thereof shall be hereinafter referred to as the “Renewal Date”), unless previously terminated, the Employment Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 180 days prior to the Renewal Date the Company shall give notice to Mr. Smith, or Mr. Smith shall give notice to the Company, that the Employment Period shall not be so extended. The Employment Agreement provides for a base salary (“Base Salary”) of \$300,000 per year, with an increase of no less than 3% per annum. Mr. Smith’s Base Salary shall be reviewed annually by the Compensation Committee of the Board of Directors (the “Compensation Committee”) pursuant to its normal performance review policies for senior executives and may be increased but not decreased. Mr. Smith is also entitled to receive an annual bonus incentive payment (the “Incentive Bonus Payment”) as determined by the Compensation Committee in its discretion and, if applicable, in accordance with the terms of any applicable incentive plan of the Company and subject to the achievement of any performance goals established by the Compensation Committee with respect to such fiscal year. Mr. Smith shall also be eligible to participate in long term cash and equity incentive plans and programs applicable to senior officers of the Company.

The Employment Agreement further provides that if Mr. Smith is terminated by the Company without Cause or leaves the Company with Good Reason (generally, for material diminution in Mr. Smith’s Base Salary, target Incentive Bonus Payment, or position, authority, duties or responsibilities, relocation of Mr. Smith’s principal place of business to a location more than 30 miles from Mr. Smith’s principal place of business or material breach by the Company of the Employment Agreement), Mr. Smith shall be paid his Base Salary pro-rated through the date of termination, any Incentive Bonus Payment earned for a prior award period but not yet paid, any accrued vacation or paid time off to the extent not paid and unreimbursed business expenses (collectively, the “Accrued Obligations”) and any other amounts or benefits required to be paid or provided or which Mr. Smith is eligible to receive through the date of termination (the “Other Benefits”). In the event such termination occurs within two years following a change of control, Mr. Smith shall also be entitled to a lump sum payment equal to the product of (a) 2.99 multiplied by (b) the sum of Mr. Smith’s Base Salary in effect prior to such termination and the Target Incentive Bonus Payment for the year of termination of employment (or, if higher, or if no Target Incentive Bonus Payment has been established for such year, the Incentive Bonus Payment for the year prior to the date of termination). In the event such termination does not occur within two years following a change of control, Mr. Smith shall be entitled to receive an aggregate amount, payable in equal monthly cash payments over a period of 24 months, equal to the product of (a) 2.0 multiplied by (b) the sum of Mr. Smith’s Base Salary in effect prior to such termination and the Target Incentive Bonus Payment for the year of termination of employment (or, if higher, or if no Target Incentive Bonus Payment has been established for such year, the Incentive Bonus Payment for the year prior to the date of termination). The Company shall also continue to provide Mr. Smith and his dependents with health and other insurance coverage for 24 months following such termination.

If Mr. Smith’s employment is terminated for Cause, because Mr. Smith voluntarily resigns without Good Reason or due to the death of Mr. Smith, Mr. Smith, or his estate, as applicable, shall be paid the Accrued Obligations and the Other Benefits. If Mr. Smith’s employment is terminated due to disability, Mr. Smith shall be paid his Base Salary in equal monthly payments for one year commencing on the date of termination, the Target Incentive Bonus Payment for the year of termination of employment (or, if no Target Incentive Bonus Payment has been established for such year, the Incentive Bonus Payment for the year prior to the date of termination), the Accrued Obligations and the Other Benefits.

Mr. Smith is also subject to non-competition and non-solicitation restrictions during the Employment Period and for a period of two years thereafter.

The Company has an employment agreement with its former Chief Executive Officer and current Chairman of the Board, Rodney I. Smith. While Mr. Smith ceased providing services as Chief Executive Officer in May 2018, he received his salary, pursuant to the terms of the agreement, through September 2019. The agreement also provides for an annual royalty fee of \$99,000 payable as consideration for his assignment to the Company of all of his rights, title and interest in certain patents. Payment of the royalty continues for as long as the Company is using the inventions underlying the patents. Mr. Smith also received compensation from the Company for his services as a Director and Chairman of the Board. Mr. Smith is currently being compensated with respect to royalty payments in accordance with the employment agreement.

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

The following table sets forth, as of March 8, 2021, 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.

	Number of Shares Beneficially Owned (2)	Percentage of Class
Rodney I. Smith (1)(3)(4)(5)	686,298	13.2%
Ashley B. Smith (1)(3)(4)(6)	190,242	3.7%
Wesley A. Taylor (1)(7)	32,667	*
Richard Gerhardt (1)(7)	6,000	*
James Russell Bruner (1)(7)	10,000	*
Adam J. Krick (1)(8)	9,545	*
Thompson Davis & Co., Inc. (9)	769,643	14.8%
Wax Asset Management, LLC (10)	410,880	7.9%
All directors and executive officers as a group (6 persons)(11)	934,752	17.9%

* Less than 1%.

(1) The address for each of Messrs. Rodney I. Smith, Ashley B. Smith, Wesley A. Taylor, Richard Gerhardt, James Russell Bruner, and Adam J. Krick 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 an aggregate of 116,621 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, for which each of Rodney I. Smith and Ashley B. Smith disclaims beneficial ownership.

- (5) Includes 1,000 unvested restricted shares granted pursuant to the Company's 2016 Equity Incentive Plan.
- (6) Includes 6,667 unvested restricted shares granted pursuant to the Company's 2016 Equity Incentive Plan.
- (7) Includes 2,667 unvested restricted shares granted pursuant to the Company's 2016 Equity Incentive Plan.
- (8) Includes 4,000 unvested restricted shares granted pursuant to the Company's 2016 Equity Incentive Plan.
- (9) Address of holder is 15 S. 5th Street, Richmond, VA 23219.
- (10) Address of holder is 44 Cherry Lane, Madison, CT 06443.
- (11) Includes 19,668 unvested restricted shares granted pursuant to the Company's 2016 Equity Incentive Plan.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information as of December 31, 2020, 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))(1)
Equity compensation plans approved by security holders (1)	—	—	—
Equity compensation plans not approved by security holders	—	—	170,334
Total	—	—	170,334

(1) A brief description of the Company's 2016 Equity Incentive Plan is contained in Note 6 of the Notes to Consolidated Financial Statements. The Equity Incentive Plan has a balance of 170,334 shares of stock unissued and available for award at December 31, 2020.

On October 13, 2016 the Company's Board of Directors adopted the Smith-Midland Corporation 2016 Equity Incentive Plan (the "Equity Incentive Plan"). Employees, directors and consultants of the Company are eligible to participate in the Equity Incentive Plan. The Equity Incentive Plan is administered by the Compensation Committee of the Board of Directors or the full Board during such times as no committee is appointed by the Board or during such times as the Board is acting in lieu of the committee (the "Committee"). The Equity Incentive Plan provides for the grant of equity-based compensation in the form of restricted stock, restricted stock units, performance shares, performance cash and other share-based awards. The Committee has the authority to determine the type of award, as well as the amount, terms and conditions of each award, under the Equity Incentive Plan subject to the limitations and other provisions of the Equity Incentive Plan. An aggregate of 400,000 shares of the Company's common stock, par value \$.01 per share, were authorized for issuance under the Equity Incentive Plan, subject to adjustment for stock splits, dividends, distributions, recapitalizations and other similar transactions or events, of which amount 170,334 remains available for issuance. If any shares subject to an award are forfeited, expire, or otherwise terminate without issuance of such shares, such shares shall, to the extent of such forfeiture, expiration, or termination, again be available for issuance under the Equity Incentive Plan.

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

There are three independent directors of the Company, Mr. James Russell Bruner, Mr. Richard Gerhardt, and Mr. Welsey A. Taylor. The test utilized by the Company for the determination of independence is that under the NASDAQ listing standards.

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 (in thousands).

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.

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

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

The Audit Committee has established pre-approval policies and procedures with respect to the engagement of BDO USA, LLP and such policies and procedures do not include the delegation of the responsibilities of the Audit Committee to management.

	2020	2019
Audit Fees	\$ 175	\$ 155
Tax Fees	—	30
Audit-Related Fees	—	10
Total Fees	<u>\$ 175</u>	<u>\$ 195</u>

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (1) The financial statements of the Company are included following Part IV of this Form 10-K.
- (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:

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 (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 16, 2018).
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	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).
10.6	A Credit Line Deed of Trust, dated April 20, 2011 and executed on April 26, 2011, between the Company and 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).
10.7	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).

10.8	Promissory Note for PPP loan, dated April 16, 2020, in the amount of \$2,691,700 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 16, 2020).
10.9	Business Loan Agreement related to the Promissory Note dated April 16, 2020 (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 16, 2020).
10.10	Change in Terms Agreement, dated September 23, 2020, for the payment schedule modification to the PPP loan with Summit Community Bank (Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2020).
10.11	Commitment Letter, dated October 21, 2020, for the renewal of the equipment line of credit in the amount of \$1,500,000 with Summit Community Bank (Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2020).
10.12	Commercial Line of Credit Agreement and Note, dated October 1, 2020, for the renewal of the line of credit in the amount of \$4,000,000 with Summit Community Bank (Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 10, 2020).
10.13	Promissory Note, dated October 11, 2019, in the amount of \$2,228,000 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 October 17, 2019).
10.14	Commercial Security Agreement, dated October 1, 2018, with Summit Community Bank (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018).
10.15	Deed of Trust dated October 11, 2019, related to the Promissory Note dated October 11, 2019 between the Company and Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2019).
10.16	Commercial Security Agreement dated October 11, 2019, related to the Promissory Note dated October 11, 2019 between the Company and Summit Community Bank (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2019).
10.17	Promissory Note, dated March 27, 2020, in the amount of \$2,701,404 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 1, 2020).
10.18	Business Loan Agreement related to the Promissory Note dated March 27, 2020 (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 1, 2020).
10.19	Modification and Supplemental Deed of Trust, dated March 27, 2020, between the Company and 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 1, 2020) to the Credit Line Deed of Trust, dated April 20, 2011 (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2011).
10.20	Modification Deed of Trust, dated March 27, 2020, between the Company and 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 1, 2020) to the Credit Line Deed of Trust, dated September 12, 2013 (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 12, 2013).
10.21	2016 Equity Incentive Plan (Incorporated by reference to the Registration Statement on Form S-8 (No. 333-214788) filed on November 23, 2016).
10.22	Employment Agreement, dated as of November 11, 2020, between the Company and Ashley B. Smith (Incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 17, 2020).
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.

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: March 30, 2021

By: /s/ Ashley B. Smith

Ashley B. Smith
Chief Executive Officer and President
(Principal Executive Officer)

Date: March 30, 2021

By: /s/ Adam J. Krick

Adam J. Krick
Chief Financial Officer
(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.

<u>Name</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Rodney I. Smith</u> Rodney I. Smith	Director	March 30, 2021
<u>/s/ Ashley B. Smith</u> Ashley B. Smith	Director	March 30, 2021
<u>/s/ Wesley A. Taylor</u> Wesley A. Taylor	Director	March 30, 2021
<u>/s/ James Russell Bruner</u> James Russell Bruner	Director	March 30, 2021
<u>/s/ Richard Gerhardt</u> Richard Gerhardt	Director	March 30, 2021

Smith-Midland Corporation and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

Smith-Midland Corporation
and Subsidiaries

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Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Smith-Midland Corporation and subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of income, stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2020, and the related summary of significant accounting policies and notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Accounts Receivable

As described in the Summary of Significant Accounting Policies to the consolidated financial statements, the Company’s consolidated accounts receivable balance at December 31, 2020 was \$10.5 million, inclusive of contract retainage receivables of \$1.7 million, and net of an allowance for doubtful accounts of \$0.4 million. Management performs an evaluation quarterly as to the adequacy of the allowance for doubtful accounts for accounts receivable, analyzing payment history of accounts past due, subsequent cash collections, aging of receivable balances, and other customer specific considerations such as known disputes. Based on these factors along with others, management records an estimate of uncollectable amounts. Developing a reasonable estimate involves significant judgement by management.

We identified the valuation of accounts receivable as a critical audit matter. The principle considerations for our determination that this is a critical audit matter are (i) that the allowance for doubtful accounts involves significant judgement and subjectivity since the estimate relies on a variety of factors including historical experience, current economic factors and current customer specific conditions; (ii) relates to accounts receivable balances that can remain outstanding under contract retainage provisions for extended periods of time; and (iii) the Company may also be acting as a subcontractor to a prime contractor, which can result in potential delays in the awareness of disputes at that level that may affect collection. Auditing these elements involved especially challenging and subjective auditor judgment to properly assess the collectability of customer balances and to determine the extent of audit effort required to address this matter.

The primary procedures we performed to address this critical audit matter included:

- Evaluating management’s allowance for doubtful accounts methodology through performing a retrospective review of historical write-offs.
- Testing a sample of overdue accounts receivable balances, targeting contract retentions over a defined dollar value, evaluating the need for an allowance for doubtful accounts based on procedures including independent confirmations, collections occurring subsequent to year-end, review of contract retention provisions and appropriate application to invoicing, inspection of customer correspondence, inquiries of financial management, liens filed against selected outstanding balances, and inquiries of project specific personnel for potential known disputes.

/s/BDO USA, LLP

We have served as the Company's auditor since 1996.

Richmond, Virginia
March 30, 2021

**Smith-Midland Corporation
and Subsidiaries**

Consolidated Balance Sheets
(in thousands, except share data)

	December 31,	
	2020	2019
ASSETS		
Current assets		
Cash	\$ 8,764	\$ 1,364
Investment securities, available-for-sale, at fair value	1,228	1,176
Accounts receivable, net		
Trade - billed (less allowance for doubtful accounts of \$397 and \$333), including contract retentions	9,798	12,723
Trade - unbilled	742	310
Inventories, net		
Raw materials	643	488
Finished goods	1,551	1,754
Prepaid expenses and other assets	615	784
Refundable income taxes	—	432
Total current assets	23,341	19,031
Property and equipment, net	18,602	17,735
Deferred buy-back lease asset, net	4,237	5,042
Other assets	319	307
Total assets	\$ 46,499	\$ 42,115

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

**Smith-Midland Corporation
and Subsidiaries**

Consolidated Balance Sheets
(in thousands, except share data)
(continued)

	December 31,	
	2020	2019
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable - trade	\$ 1,866	\$ 3,180
Accrued expenses and other liabilities	875	125
Deferred revenue	1,774	1,891
Accrued compensation	1,318	1,075
Dividend payable	—	282
Accrued income tax	470	—
Deferred buy-back lease obligation	1,203	966
Operating lease liabilities	85	81
Current maturities of notes payable	740	925
Customer deposits	569	1,077
Total current liabilities	8,900	9,602
Deferred revenue	600	241
Deferred buy-back lease obligation	3,790	5,183
Operating lease liabilities	211	296
Notes payable - less current maturities	4,196	4,086
PPP loan	2,692	—
Deferred tax liability	2,461	1,886
Total liabilities	22,850	21,294
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; 5,279,411 and 5,224,911 issued and 5,202,158 and 5,164,324 outstanding, respectively	52	52
Additional paid-in capital	6,405	6,242
Treasury stock, at cost, 40,920 shares	(102)	(102)
Retained earnings	17,294	14,629
Total stockholders' equity	23,649	20,821
Total liabilities and stockholders' equity	\$ 46,499	\$ 42,115

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

**Smith-Midland Corporation
and Subsidiaries**

Consolidated Statements of Income
(in thousands, except per share data)

	Year Ended December 31,	
	2020	2019
Revenue		
Product sales	\$ 26,776	\$ 32,228
Barrier rentals	6,879	2,488
Royalty income	1,688	1,672
Shipping and installation revenue	8,519	10,303
Total revenue	43,862	46,691
Cost of goods sold	32,820	36,722
Gross profit	11,042	9,969
General and administrative expenses	4,989	4,887
Selling expenses	2,294	2,536
Total operating expenses	7,283	7,423
Operating income	3,759	2,546
Other income (expense)		
Interest expense	(217)	(179)
Interest income	35	40
Gain on sale of assets	133	46
Other income	82	45
Total other income (expense)	33	(48)
Income before income tax expense	3,792	2,498
Income tax expense	1,127	549
Net income	\$ 2,665	\$ 1,949
Basic and diluted earnings per share	\$ 0.51	\$ 0.38

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

**Smith-Midland Corporation
and Subsidiaries**

Consolidated Statements of Stockholders' Equity
(in thousands)

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2019	\$ 51	\$ 5,973	\$ (102)	\$ 12,962	\$ 18,884
Accrued dividends payable	—	—	—	(282)	(282)
Vesting of restricted stock	1	269	—	—	270
Net income	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,949</u>	<u>1,949</u>
Balance, December 31, 2019	52	6,242	(102)	14,629	20,821
Vesting of restricted stock	—	163	—	—	163
Net income	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,665</u>	<u>2,665</u>
Balance, December 31, 2020	<u>\$ 52</u>	<u>\$ 6,405</u>	<u>\$ (102)</u>	<u>\$ 17,294</u>	<u>\$ 23,649</u>

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

**Smith-Midland Corporation
and Subsidiaries**

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2020	2019
Reconciliation of net income to net cash provided by operating activities		
Net income (loss)	\$ 2,665	\$ 1,949
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	2,412	1,793
Allowance for doubtful accounts	64	119
Gain on sale of fixed assets	(133)	(46)
Unrealized gain (loss)	(23)	10
Stock compensation	163	270
Deferred taxes	575	459
(Increase) decrease in		
Accounts receivable - billed	2,861	(561)
Accounts receivable - unbilled	(432)	1,003
Inventories	48	1,318
Refundable income taxes	432	477
Prepaid expenses and other assets	128	(286)
Increase (decrease) in		
Accounts payable - trade	(1,314)	(1,032)
Accrued expenses and other liabilities	750	(485)
Deferred revenue	242	450
Accrued compensation	243	(481)
Accrued income taxes	470	—
Deferred buy-back lease obligation, net	(1,156)	(444)
Customer deposits	(508)	(581)
Net cash provided by (used in) operating activities	<u>\$ 7,487</u>	<u>\$ 3,932</u>

**Smith-Midland Corporation
and Subsidiaries**

Consolidated Statements of Cash Flows
(in thousands)
(continued)

	December 31,	
	2020	2019
Cash Flows From Investing Activities		
Purchases of investment securities available-for-sale	\$ (29)	\$ (32)
Purchases of property and equipment	(2,627)	(4,513)
Deferred buy-back lease asset	—	(358)
Proceeds from sale of fixed assets	235	162
Net cash provided by (used in) investing activities	(2,421)	(4,741)
Cash Flows From Financing Activities		
Proceeds from the line-of-credit construction draw	—	500
Repayments on the line-of-credit construction draw	—	(1,500)
Proceeds from long-term borrowings	5,485	2,277
Repayments of long-term borrowings	(2,869)	(769)
Dividends paid on common stock	(282)	(281)
Net cash provided by (used in) financing activities	2,334	227
Net increase (decrease) in cash	7,400	(582)
Cash, beginning of year	1,364	1,946
Cash, end of year	\$ 8,764	\$ 1,364
Supplemental Cash Flow information:		
Non-cash transaction - dividends payable	\$ —	\$ 282
Non-cash transaction - right of use asset and lease liability upon lease standard adoption	\$ —	\$ 414
Cash payments for interest	\$ 217	\$ 179
Cash payments for income taxes	\$ 22	\$ 73

See accompanying summary of significant 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, Midwestern and Southeastern 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, Smith-Columbia Corporation, a South 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

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

Investments

Investments in marketable securities are classified as available-for-sale and are stated at market value.

Inventories

Inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or net realizable value. Inventory reserves (in thousands) were approximately \$72 at December 31, 2020 and 2019.

Property and Equipment

Property and equipment is stated at cost. Expenditures for ordinary maintenance and repairs are charged to income as incurred. Costs of improvements, 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 expense is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings	10-40
Trucks and automotive equipment	3-10
Shop machinery and equipment	3-10
Land improvements	10-15
Rental equipment	5-10
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, 2020, the Company has not identified any uncertain tax positions. The Company files tax returns in the U.S. Federal and various state jurisdictions. The Company recognizes, when applicable, interest and penalties related to income taxes in other income (expense) in its consolidated statement of income. The Company is no longer subject to U.S. or state tax examinations for the years prior to 2017. The Company does not have any uncertain tax positions as of December 31, 2020, and believes there will be no material changes in unrecognized tax positions over the next twelve months.

Stock Compensation

On October 13, 2016, the Board of Directors of the Company adopted the 2016 Equity Incentive Plan which allows the Company to grant up to 400,000 shares of common stock of the Company to employees, officers, directors and consultants. The grants may be in the form of restricted or performance shares of common stock of the Company. The fair value of each restricted stock grant is estimated to be the sales price of the common stock at the close of business on the day of the grant.

Revenue Recognition

Product Sales - Over Time

Under Topic 606, the Company recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for goods or services provided. Revenue associated with contracts with customers is recognized over time as the Company's performance creates or enhances customer controlled assets or creates or enhances an asset with no alternative use, which the Company has an enforceable right to receive compensation as defined under the contract for performance completed. To determine the amount of revenue to recognize over time, the Company recognizes revenue over the contract terms based on the output method. The Company applied the "as invoiced" practical expedient as the amount of consideration the Company has the right to invoice corresponds directly with the value of the Company's performance to date.

As the output method is driven by units produced, the Company recognizes revenues based on the value transferred to the customer relative to the remaining value to be transferred. The Company also matches the costs associated with the units produced. If a contract is projected to result in a loss, the entire contract loss is recognized in the period when the loss was first determined and the amount of the loss updated in subsequent reporting periods. Revenue recognition also includes an amount related to a contract asset or contract liability. If the recognized revenue is greater than the amount billed to the customer, a contract asset is recorded in accounts receivable - unbilled. Conversely, if the amount billed to the customer is greater than the recognized revenue, a contract liability is recorded in customer deposits on uncompleted contracts. Changes in the job performance, job conditions and final contract settlements are factors that influence management's assessment of total contract value and therefore, profit and revenue recognition.

A portion of the work the Company performs requires financial assurances in the form of performance and payment bonds or letters of credit at the time of execution of the contract. Some contracts include retention provisions of up to 10% which are generally withheld from each progress payment as retainage until the contract work has been completed and approved.

Product Sales - Point in Time

For certain product sales that do not meet the over time criteria, under Topic 606 the Company recognizes revenue when the product has been shipped to the destination in accordance with the terms outlined in the contract where a present obligation to pay exists and the customers have gained control of the product.

Accounts Receivable and Contract Balances

The timing of when we bill our customers is generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of the work, or when services are provided or products are shipped. Projects with performance obligations recognized over time that have costs and estimated earnings recognized to date in excess of cumulative billings, are reported on our Condensed Consolidated Balance Sheets as "Accounts receivable trade - unbilled" (contract assets). Projects with performance obligations recognized over time that have cumulative billings in excess of costs and estimate earnings recognized to date, are reported on our Condensed Consolidated Balance Sheets as "Customer deposits" (contract liabilities).

Any uncollected billed amounts for our performance obligations recognized over time, including contract retentions, are recorded within accounts receivable trade - billed. At December 31, 2020 and December 31, 2019, accounts receivable included contract retentions (in thousands) of approximately \$1,709 and \$2,146, respectively, which are considered contract assets.

Our billed and unbilled revenue may be exposed to potential credit risk if our customers should encounter financial difficulties, and we maintain reserves for specifically-identified potential uncollectible receivables. At December 31, 2020 and December 31, 2019, our allowances for doubtful accounts (in thousands) were \$397 and \$333, respectively.

Sale to Customer with a Buy-Back Guarantee - Lease Income

The Company entered into a buy-back agreement with one specific customer. Under this agreement, the Company guaranteed to buy-back product at a predetermined price at the end of the long-term project, subject to the condition of the product. Although the Company receives payment in full as the product is produced, we are required to account for these transactions as operating leases. The amount of sale proceeds equal to the buy-back obligation, included in "Deferred buy-back lease obligation" in the liabilities section of the consolidated balance sheet, is deferred until the buy-back is exercised or expired. The remaining sale proceeds are deferred in the same account and recognized on a straight-line basis over the usage period, such usage period commencing on delivery to the job-site and ending at the time the buy-back is exercised or expired. The Company capitalizes the cost of the product on the consolidated balance sheet shown in "Deferred buy-back lease asset, net", and depreciates the value, less residual value, to cost of leasing revenue in "Cost of goods sold" over the estimated useful life of the asset.

In the case the customer does not exercise the buy-back option and retains ownership of the product at the end of the usage period, the guarantee buy-back liability and any deferred revenue balances related to the product are settled to revenue, and the net book value of the asset is expensed to cost of leasing revenue. If the customer exercises the buy-back guarantee option, the Company purchases the product back in the amount equal to the buy-back guarantee, the Company settles any remaining deferred balances, in excess of the buy-back payment, to leasing revenue, and the Company reclassifies the net book value of the product on the consolidated balance sheet to "Inventories" or "Property and equipment, net" depending on the intended use at the time. The revenue is being recognized in accordance with Topic 842, *Leases*.

Barrier Rentals - Lease Income

Leasing fees are paid by customers at the beginning of the lease agreement and are recorded as deferred revenue. The deferred revenue is then recognized each month as lease income for the duration of the lease, in accordance with Topic 842, *Leases*.

Royalty Income

The Company licenses certain products to other precast companies to produce the Company's products to engineering specifications under the licensing agreements. The agreements are typically for five year terms and require royalty payments from 4% to 6% of total sales of licensed products, which are paid on a monthly basis. The revenues from licensing agreements are recognized in the month earned, in accordance with Topic 606-10-55-65.

Shipping and Installation

Shipping and installation revenues are recognized as a distinct performance obligation in the period the shipping and installation services are provided to the customer, in accordance with Topic 606.

Disaggregation of Revenue

In the following table, revenue is disaggregated by primary sources of revenue (in thousands):

Revenue by Type	2020	2019	Change	% Change
Product Sales:				
Soundwall Sales	\$ 7,499	\$ 7,736	\$ (237)	(3)%
Architectural Sales	3,668	1,104	2,564	232%
SlenderWall Sales	948	5,063	(4,115)	(81)%
Miscellaneous Wall Sales	3,371	1,685	1,686	100%
Barrier Sales	5,507	8,582	(3,075)	(36)%
Easi-Set and Easi-Span Building Sales	2,935	5,937	(3,002)	(51)%
Utility Sales	1,310	1,608	(298)	(19)%
Miscellaneous Sales	1,538	513	1,025	199%
Total Product Sales	26,776	32,228	(5,452)	(17)%
Barrier Rentals	6,879	2,488	4,391	176%
Royalty Income	1,688	1,672	16	1%
Shipping and Installation Revenue	8,519	10,303	(1,784)	(17)%
Total Service Revenue	17,086	14,463	2,623	18%
Total Revenue	\$ 43,862	\$ 46,691	\$ (2,829)	(6)%

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.

The revenue items: soundwall sales, architectural sales, SlenderWall sales, miscellaneous wall sales, barrier rentals, and royalty income are recognized as revenue over time. The revenue items: barrier sales, Easi-Set and Easi-Span building sales, utility sales, miscellaneous sales, and shipping and installation revenue are recognized as revenue at a point in time.

Sales and Use Taxes

The Company does report sales taxes as part of revenue and use taxes on construction materials are reported gross in cost of goods sold.

Segment Reporting

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and assess performance. The Company currently operates in one operating and reportable business segment for financial reporting purposes.

Risks and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and on March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

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 regular basis to determine the probability of collection. In performing this evaluation, the Company analyzes the payment history and its significant past due accounts, subsequent cash collections on these accounts, comparative accounts receivable aging statistics, and other customer specific considerations existing and known as of the time of the analysis. 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. Management believes the allowance for doubtful accounts at December 31, 2020 is adequate. However, actual write-offs may exceed the recorded allowance. Due to inclement weather, the Company may experience reduced revenue from December through February and may realize the substantial part of its revenue during the other months of the year.

Fair Value of Financial Instruments

The carrying value for each of the Company's financial instruments 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 similar maturities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting (U.S. GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The Company expenses all advertising costs as incurred. Advertising expense (in thousands) was approximately \$383 and \$393 in 2020 and 2019, 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 the Company.

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 during the two years ended December 31, 2020.

Recently Issued Accounting Pronouncement

The FASB issued ASU No. 2016-13, "*Measurement of Credit Losses on Financial Instruments*." This standard replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects estimates of expected credit losses over their contractual life that are recorded at inception based on historical information, current conditions, and reasonable and supportable forecasts. The pronouncement is effective for smaller reporting companies for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of this standard, including subsequent amendments, on the consolidated financial statements and related disclosures.

SMITH-MIDLAND CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	December 31,	
	2020	2019
Land and land improvements	\$ 3,764	\$ 2,688
Buildings and improvements	8,930	8,962
Machinery and equipment	13,952	13,621
Rental equipment	5,895	5,201
	32,541	30,472
Less: accumulated depreciation and amortization	(13,939)	(12,737)
	<u>\$ 18,602</u>	<u>\$ 17,735</u>

Depreciation expense and amortization (in thousands) was approximately \$2,412 and \$1,793 for the years ended December 31, 2020 and 2019, respectively.

2. NOTES PAYABLE

Notes payable consist of the following (in thousands):

	December 31,	
	2020	2019
Note payable to Summit Community Bank (the "Bank"), maturing September 2021; with monthly payments of approximately \$26 of principal and interest fixed at 3.99%; collateralized by principally all assets of the Company.	\$ 227	\$ 519
Note payable to the Bank, maturing July 2031; with monthly payments of approximately \$11 of principal and interest fixed at 5.29%; collateralized by principally all assets of Smith-Columbia Corporation and guaranteed by the Company.	—	1,103
Note payable to the Bank, maturing October 2029; with monthly payments of approximately \$22 of principal and interest fixed at 3.64% under a swap agreement; collateralized by principally all assets of Smith-Carolina Corporation and guaranteed by the Company.	2,008	2,197
Note payable to the Bank, maturing March 2030; with monthly payments of approximately \$27 of principal and interest fixed at 3.99%; collateralized by principally all assets of the Company.	2,535	—
Installment notes, collateralized by certain machinery and equipment maturing at various dates; with monthly payments varying from \$0.7 to \$6.2 with annual interest rates between 2.90% and 5.29%.	166	1,192
A revolving line-of-credit evidenced by a note payable to the Bank, with the maximum amount of \$4,000, maturing October 1, 2021, with interest only payments and an initial rate of 4.49% adjustable monthly (4.75% at December 31, 2020). The line-of-credit 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.	—	—
	4,936	5,011
Less current maturities	(740)	(925)
	<u>\$ 4,196</u>	<u>\$ 4,086</u>

In addition to the notes payable discussed above, on April 16, 2020, the Company obtained a loan, evidenced by a promissory note, under the Paycheck Protection Program (the "PPP") from the Bank in the amount of \$2,692. The PPP provides for loans to qualifying businesses, the proceeds of which may only be used for payroll costs, rent, utilities, mortgage interest, and interest on other pre-existing indebtedness (the "permissible expenses"). The interest rate per the promissory note, dated April 16, 2020 and executed by the Company in favor of the Bank, is fixed at 1.00% per annum, with principal and interest payments starting thirty (30) days after the amount of forgiveness is determined under section 1106 of the CARES Act. The loan matures on April 16, 2022. The proceeds of the loan must be utilized pursuant to the requirements of the PPP, and all or a portion of the loan may be forgiven in accordance with the PPP applicable rules, regulations, and guidelines. Pursuant to the loan agreement relating to the PPP loan, the Bank may accelerate the loan in the event of a default under this or any other loan agreement with the Bank. The Company has currently applied for loan forgiveness in the full amount of the loan, but no assurance can be given as to the amount, if any, of forgiveness.

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

The Company's notes payable 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, 2020, the Company was in compliance with all covenants pursuant to the loan agreements, with the \$10 million net worth, and with the annual capital expenditures of \$3,500, excluding acquisitions and plant expansions.

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

Year Ending December 31,

2020	\$	740
2021		471
2022		483
2023		496
2024		511
Thereafter		2,235
	\$	<u><u>4,936</u></u>

3. RELATED PARTY TRANSACTIONS

The Company currently leases a portion of its Midland, Virginia property from its Chairman of the Board, 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.

The Company has an employment agreement with its former CEO and current Chairman of the Board, Rodney I. Smith. Mr. Smith received his salary, pursuant to the terms of the agreement, through September 2019. While Mr. Smith has ceased providing executive officer services pursuant to such agreement, the agreement provides for an annual royalty fee of \$99,000 payable as consideration for his assignment to the Company of all of his rights, title and interest in certain patents. Payment of the royalty continues for as long as the Company is using the inventions underlying the patents. Mr. Smith also received compensation from the Company for his services as a Director and Chairman of the Board.

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

4. INCOME TAXES

Income tax expense is comprised of the following (in thousands):

	December 31,	
	2020	2019
Federal:		
Current	\$ 212	\$ (1)
Deferred	416	440
	<u>628</u>	<u>439</u>
State:		
Current	340	91
Deferred	159	19
	<u>499</u>	<u>110</u>
	<u>\$ 1,127</u>	<u>\$ 549</u>

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 (in thousands):

	December 31,			
	2020		2019	
Income taxes at statutory rate	\$ 796	21.0%	\$ 527	21.0%
Increase (decrease) in taxes resulting from:				
State income taxes, net of federal benefit	443	11.7%	81	3.2%
Deferred true-ups	184	4.9%	(127)	(5.1)%
Provision-to-return	(33)	(0.9)%	81	3.2%
Rate change	—	—	(42)	(1.7)%
CARES Act Benefit	(253)	(6.7)%	—	—
Other	<u>(10)</u>	<u>(0.3)%</u>	<u>29</u>	<u>1.3%</u>
	<u>\$ 1,127</u>	<u>29.7%</u>	<u>\$ 549</u>	<u>21.9%</u>

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

Deferred tax assets (liabilities) are as follows (in thousands):

	December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	\$ 26	\$ 21
Allowance for doubtful accounts	100	81
Amortization - Intangibles	—	4
Charitable contributions	—	43
Accrued liabilities	—	7
Accrued vacation	60	76
Deferred buy-back asset	1,259	1,776
Deferred income	314	304
Right-of-use asset	75	91
Other	80	83
Gross deferred tax assets	<u>1,914</u>	<u>2,486</u>
Deferred tax liabilities:		
Retainage	(424)	(518)
Deferred buy-back obligation	(1,069)	(1,421)
Fixed assets	(2,685)	(2,236)
Prepays	(114)	(104)
Amortization - Intangibles	(8)	—
Unrealized gain loss	—	(2)
Lease liability	(75)	(91)
Gross deferred tax liabilities	<u>(4,375)</u>	<u>(4,372)</u>
Valuation allowance	—	—
Net deferred tax liability	<u>\$ (2,461)</u>	<u>\$ (1,886)</u>

As of December 31, 2020, the Company had approximately \$2,611 of state NOL's available to offset future state taxable income. The state NOL's begin expiring at various times between 2029 and 2038.

5. EMPLOYEE BENEFIT PLANS

The Company has a savings plan that qualifies under Section 401(k) of the Internal Revenue Code ("IRC"). Participating employees may elect to contribute a percentage of their salary, subject to certain limitations. The Company contributes 50% of the participant's contribution, up to 4% of the participant's compensation, as a matching contribution. Total match contributions (in thousands) by the Company for the years ended December 31, 2020 and 2019 were approximately \$183 and \$179, respectively.

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

6. STOCK COMPENSATION

On October 13, 2016, the Board of Directors of the Company adopted the 2016 Equity Incentive Plan, which allows the Company to grant up to 400,000 shares of restricted common stock of the Company to employees, officers, directors and consultants. The grants may be in the form of restricted or performance shares of common stock of the Company. The total intrinsic value (in thousands) of the outstanding shares of restricted stock is \$326.

The fair value of restricted stock awards is estimated to be the market price of the Company's common stock at the close of date of grant. Restricted stock activity during the years ended December 31, 2019 and 2020 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Non-vested, December 31, 2018	69,500	\$ 5.19
Granted	2,000	7.43
Vested	51,499	5.27
Forfeited	334	4.95
Non-vested, December 31, 2019	19,667	5.45
Granted	54,500	8.98
Vested	37,831	7.14
Forfeited	—	—
Non-vested, December 31, 2020	36,336	\$ 8.98

Awards are being amortized to expense ratably, based upon the vesting schedule. Stock compensation (in thousands) for the year ended December 31, 2020 was approximately \$163, based upon the value at the date of grant. Stock compensation for the year ended December 31, 2019 was approximately \$270, based upon the value at the date of grant. There was \$326 of unrecognized compensation cost related to the non-vested restricted stock as of December 31, 2020.

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

7. FAIR VALUE DISCLOSURES

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.

As of December 31, 2020				
	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	\$ 1,228	\$ —	\$ —	\$ 1,228

As of December 31, 2019				
	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	\$ 1,176	\$ —	\$ —	\$ 1,176

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

8. COMMITMENTS AND CONTINGENCIES

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.

9. EARNINGS PER SHARE

Earnings per share are calculated as follows (in thousands, except earnings per share):

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Basic earnings per share		
Income available to common shareholder	\$ 2,665	\$ 1,949
Weighted average shares outstanding	<u>5,185</u>	<u>5,142</u>
Basic earnings per share	<u><u>\$ 0.51</u></u>	<u><u>\$ 0.38</u></u>
Diluted earnings per share		
Income available to common shareholder	\$ 2,665	\$ 1,949
Weighted average shares outstanding	5,185	5,142
Dilutive effect of restricted stock	<u>2</u>	<u>5</u>
Total weighted average shares outstanding	<u>5,187</u>	<u>5,147</u>
Diluted earnings per share	<u><u>\$ 0.51</u></u>	<u><u>\$ 0.38</u></u>

There was no restricted stock excluded from the diluted earnings per share calculation for the years ended December 31, 2020 and December 31, 2019.

Consent of Independent Registered Public Accounting Firm

Smith-Midland Corporation
Midland, Virginia

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-155920 and 333-214788) of Smith-Midland Corporation of our report dated March 30, 2021, relating to the consolidated financial statements which appear in this Form 10-K.

/s/ BDO USA, LLP
Richmond, Virginia
March 30, 2021

CERTIFICATIONS

I, Ashley B. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of Smith-Midland Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2021

By: /s/ Ashley B. Smith

Ashley B. Smith
Chief Executive Officer and President
(principal executive officer)

CERTIFICATIONS

I, Adam J. Krick, certify that:

1. I have reviewed this annual report on Form 10-K of Smith-Midland Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2021

By: /s/ Adam J. Krick

Adam J. Krick
Chief Financial Officer
(principal financial officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Smith-Midland Corporation (the “Company”) on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Ashley B. Smith and Adam J. Krick, Chief Executive Officer and Chief Financial Officer of the Company, respectively, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Ashley B. Smith

Ashley B. Smith
Chief Executive Officer
(principal executive officer)

/s/ Adam J. Krick

Adam J. Krick
Chief Financial Officer
(principal financial and accounting officer)

Dated: March 30, 2021



Award winning Severn River Bridge project, Annapolis, MD



Award winning Ferguson Enterprises Headquarters SlenderWall project



Department of Defense multiple Easi-Set Buildings installation



SlenderWall in Longbranch, NJ



North Carolina in full swing

Board of Directors

Rodney I. Smith
Chairman of the Board

Ashley B. Smith
Director

Wesley A. Taylor
Director

Russell Bruner
Director

Richard Gerhardt
Director

Edward G. Broenniman
Advisor

Matthew I. Smith
Advisor

Arthur X. Miles
Advisor

AJ Krick
Advisor

Corporate Officers

Ashley B. Smith
Chief Executive Officer & President

AJ Krick
Chief Financial Officer, Secretary & Treasurer

Key Operations Personnel

Smith-Midland Corporation

Ashley B. Smith
President & Chief Operating Officer

AJ Krick
Chief Financial Officer

Matthew I. Smith
Vice President of Sales & Marketing

Kevin Corbett
Vice President of Operations

Steve Demas
Vice President of Project Management

Ali Shahid
Vice President of Engineering

Roderick Smith
General Manager - North Carolina Plant

Scott Hicks
General Manager - South Carolina Plant

Easi-Set Worldwide

Arthur X. Miles
President

Concrete Safety Systems

Matthew I. Smith
President

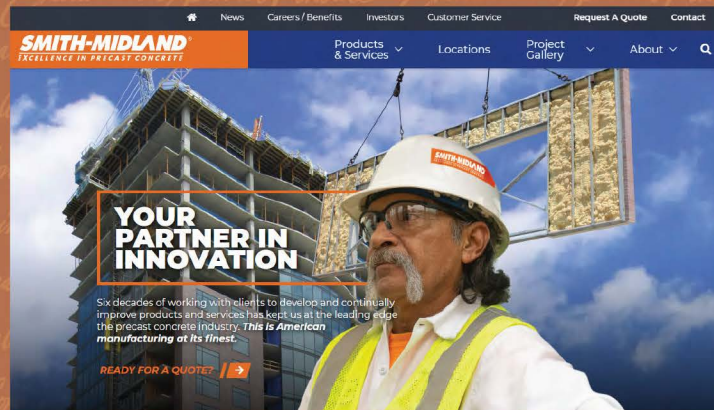
Midland Advertising + Design

Dale Neal
Advertising Manager



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540-439-3266

www.SmithMidland.com
www.EasiSet.com
www.ConcreteSafetySystems.com
www.MidlandAdvertising.com



New website launches for Smith-Midland and Concrete Safety Systems