SMITH MIDLAND CORP
Form 10KSB
April 20, 2004

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

FORM 10-KSB

Annual Report under Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2003

Commission File Number 1-13752

SMITH-MIDLAND CORPORATION
(Name of Small Business Issuer in its Charter)

Delaware	54-1727060
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
P.O. Box 300, 5119 Catlett Road, Midland, Virginia	22728
(Address of Principal Executive Offices)	(Zip Code)

(540) 439-3266
(Issuer's Telephone Number, Including Area Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value per share	Boston Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Exchange Act:

Common Stock, $.01 par value per share
(Title of Class)

Preferred Stock Purchase Rights
(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. X

The Issuer's revenues for its most recent fiscal year were $18,163,783.

The aggregate market value of the shares of Common Stock, held by non-affiliates, based upon the closing price for such stock on March 25, 2004, was $3,690,368.

As of March 25, 2004, the Company had outstanding 4,449,548 shares of Common Stock, $.01 par value per share.

Transitional Small Business Disclosure Format

Yes No X

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 and Section 21E of the Exchange Act. 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:

- our significant loss for the year ended December 31, 2003,
- our decrease in revenues from $26.9 million in 2001 to $18.2 million in 2003,
- our high level of indebtedness and ability to satisfy the same,
- the decision of our bank, UPS Capital, not to renew our line of credit beyond July 1, 2004,
- the continued availability of financing in the amounts, at the times and on the terms required, to support our future business and capital projects,
- the extent to which we are successful in developing, acquiring, licensing or securing patents for proprietary products,
- changes in economic conditions specific to any one or more of our markets (including the availability of public funds and grants for construction),

- changes in general economic conditions (such as interest rate changes),
- adverse weather which inhibits the demand for our products,
- our compliance with governmental regulations,
- the outcome of pending and future litigation,
- on material construction projects, our ability to produce and install product that conforms to contract specifications and in a time frame that meets the contract requirements,
- the cyclical nature of the construction industry,
- our exposure to increased interest expense payments should interest rates change and,
- the Board of Directors, which is composed of four members, has only one outside, independent director,
- the Company does not have an audit committee; the Board of Directors functions in that role,
- the Company's Board of Directors does not have a member that qualifies as an audit committee financial expert as defined in the regulations,
- the Company has experienced a high degree of employee turnover, especially at the senior manager level, 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. Description of Business

General

Smith-Midland Corporation (the "Company") invents, develops, manufactures, markets, leases, licenses, sells, and installs a broad array of precast concrete products for use primarily in the construction, utilities and farming industries. The Company's customers are primarily general contractors and federal, state and local transportation authorities located in the Mid-Atlantic and Northeastern regions of the United States. The Company's operating strategy has involved producing innovative and proprietary products, including Slenderwall(TM), a patented, lightweight, energy efficient concrete and steel exterior wall panel for use in building construction; J-J Hooks(TM) Highway Safety Barrier, a patented, positive-connected highway safety barrier; Sierra Wall, a sound barrier primarily for roadside use; and Easi-Set(R) transportable concrete buildings, also patented. In addition, the Company produces generic highway sound barriers, utility vaults, farm products such as cattleguards and water and feed troughs, and custom order precast concrete products with various architectural surfaces.

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.

Market

The Company's 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 and Northeastern states. The Company also licenses its proprietary products to precast concrete manufacturers nationwide and in Canada, Belgium, New Zealand, and Spain. The Company, in conjunction with the establishment of its Slenderwall(TM) exterior cladding system, intends to expand the market in which it currently competes.

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

Products

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

Easi-Set Slenderwall(TM) Lightweight Construction Panels

Each Slenderwall(TM) system is a prefabricated, energy-efficient, lightweight exterior cladding system that is offered as a cost-effective alternative to the traditional, piecemeal construction of the exterior walls of buildings. The Company's Slenderwall system combines the essential components of a wall system into a single unit ready for interior dry wall mounting immediately upon installation. The base design of each Slenderwall panel consists of a galvanized or stainless steel stud frame with an exterior sheath of approximately two-inch thick, steel-reinforced, high-density, precast concrete, with various available architectural surfaces. The exterior concrete sheath is attached to the interior frame by strategically placed epoxy coated steel connectors that suspend the exterior concrete approximately one-half inch away from the steel frame.

Slenderwall panels are approximately one-half the weight of brick walls of equivalent size, permanence and durability. This 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 Slenderwall's reduced installation time and ease of erection, and from the use of smaller cranes for installation.

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

Easi-Set Sierra Wall(TM)

The Easi-Set Sierra Wall(TM)(the "Sierra Wall") combines the strength and durability of precast concrete with a variety of finishes to provide an effective and attractive sound and sight barrier for use around residential, industrial, and commercial properties and alongside highways. With additional reinforcement, the Sierra Wall can also be used as a retaining wall to retain earth in both highway and residential construction. The Sierra Wall is typically constructed of four-inch thick, steel-reinforced concrete panels that are securely joined at an integral column by a tongue and groove connection system. This tongue and groove connection system makes the Sierra Wall easy to install and move if boundaries change or highways are relocated after the completion of a project.

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The Company custom designs and manufactures each Sierra Wall to conform to the specifications provided by the contractor. The width, height, strength, and exterior finish of each wall varies depending on the terrain and application. In addition, the Company offers increased noise abatement benefits through the use of DuriSol(R), an optional, durable and patented sound-absorbing, material that can be cast onto the exterior of the Sierra Wall. The Company was a party to a licensing agreement with DuriSol Resource, Inc. of Ontario, Canada, permitting the Company to utilize the DuriSol(R) sound-absorbing technology until December 31, 2003. The License Agreement between Durisol Resource Inc. and the Company expired on December 31, 2003 and was not renewed. At this time the Company may manufacture Durisol products on a project by project basis. Durisol must first authorize each project. Durisol Resource Inc. is in negotiations with the Company to work out a new relationship which is expected to be restricted to manufacturing on a project by project basis at Durisol Resource, Inc.'s option. Royalties, fees and cost of shavings are negotiated prior to bidding of each project by the Company.

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

Easi-Set J-J Hooks(TM) Highway Safety Barrier

The Easi-Set J-J Hooks(TM) highway safety barrier (the "J-J Hooks Barrier") is a crash tested and patented, positively connected, safety barrier that the Company sells, rents, delivers, installs and licenses for use on roadways to separate lanes of traffic, either temporarily for construction work zone purposes or permanently for traffic control. Barriers are deemed to be positively connected when the connectors on each end of the barrier sections are interlocked with one another. The J-J Hooks Barriers interlock without the use of a separate locking device. The primary advantage of a positive connection is that a barrier with such a connection can withstand vehicle crashes at higher speeds without separating. The Federal Highway Administration (the "FHWA") requires that states use only positively connected barriers which meet NCHRP-350 test level 3 crash test requirements. J-J Hooks Barrier meets the requirements and is NCHRP-350 approved.

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

The Company believes that the J-J Hooks Barrier connection design is superior to those of earlier highway safety barriers that were positively connected through the "eye and pin" technique. Barriers incorporating this

technique have eyes or rings protruding from each end of the barrier, which must be aligned during the setting process. Once set, a crew inserts pins through the eyes and bolts the barrier sections together. Compared to this technique, the J-J Hooks Barrier is easier and faster to install, and remove, requires a smaller crew and eliminates the need for loose hardware to make the connection.

In November 1990, the FHWA approved the J-J Hooks Barrier for use on federally-aided highway projects following the successful completion of crash testing based on National Cooperative Highway Research Program criteria. The J-J Hooks Barrier has also been approved for use in state funded projects by 39 states, plus Washington, D.C. and Puerto Rico. The Company is in various stages of the application process in 11 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, the J-J Hooks Barrier has been approved by the appropriate authorities for use in the countries of Spain, Belgium, Germany, New Zealand and Chile.

Easi-Set Precast Building and Easi-Span(TM)

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

The Company also offers Easi-Span(TM), a line of expandable precast concrete buildings. Easi-Span(TM) is identical to and incorporates the technology of the Easi-Set Precast Building, but is available in larger sizes and, through its modular construction, can be combined in varied configurations to permit expansion capabilities.

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

- Communications Operations -- to house fiber optics regenerators, switching stations and microwave transmission shelters, cellular phone sites, and cable television repeater stations.

- Government Applications -- to federal, state and local authorities for uses such as weather and pollution monitoring stations; military storage, housing and operations; park vending enclosures; rest rooms; kiosks; traffic control systems; school maintenance and athletic storage; airport lighting control and transmitter housing; and law enforcement evidence and ammunition storage.

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- Utilities Installations -- for electrical switching stations and transformer housing, gas control shelters and valve enclosures, water and sewage pumping stations, and storage of contaminated substances or flammable materials which require spill containment.

- Commercial and Industrial Locations -- for electrical and mechanical housing, cemetery maintenance storage, golf course vending enclosures, mechanical rooms, rest rooms, emergency generator shelters, gate houses, automobile garages, hazardous materials storage, food or bottle storage, animal shelters, and range houses.

Easi-Set Utility Vault

The Company produces a line of precast concrete underground utility vaults ranging in size from 27 to 702 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.

Sources of Supply

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

Licensing

The Company presently grants licenses, through it's wholly-owned subsidiary Easi-Set Industries, for the manufacturing and distribution rights of certain proprietary products, such as the J-J Hooks Barrier, Easi-Set and Easi-Span Precast Buildings and SlenderwallTM, as well as certain non-proprietary products, such as the Company's cattleguards, and water and feed troughs. Generally, licenses are granted for a point of manufacture. The Company receives an initial one-time license acquisition and training fee ranging from approximately $25,000 to $50,000. License royalties vary depending on the product licensed, but the range is typically between 4% to 6% of the sales of the licensed product. In addition, Easi-Set Precast Building and SlenderwallTM licensees pay the Company a flat monthly fee for co-op advertising and promotion programs. The Company produces and distributes advertising materials and promotes the licensed products through its own advertising subsidiary, AdVentures.

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The Company has entered into 34 licensing agreements in the United States, and has established at least one licensee in each of Canada, Belgium, New Zealand, and Spain and sub-licensees in Canada.

The Company is currently negotiating several new license arrangements and, although no assurance can be given, expects to increase its licensing activities. Additional licensees were added in 2003 with licensee fees amounting to $69,000.

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, 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 and Easi-Span licensees combine resources to promote certain precast concrete products. Licensees pay a flat 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 marketing efforts are concentrated on the region within a 250-mile radius from its facilities, which includes most of Virginia, Delaware, the District of Columbia, Maryland, North Carolina, South Carolina, and parts of Pennsylvania, New York, New Jersey and West Virginia.

The Company's 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 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, the precast concrete market is dominated by several large companies.

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

Patents and Proprietary Information

The Company holds U.S. and Canadian patents for the J-J Hooks Barrier and the Easi-Set Precast Building, and a U.S. patent for the Slenderwall exterior cladding system. The European patent for J-J Hooks Barrier was allowed in December 1997 and has been registered in eleven European countries. The earliest of the issued patents considered material to the Company's business expired in 2001 and a new patent, with respect to this product, was allowed March 2, 1999 which expires in 2017. The Company also owns three U.S. registered trademarks (Easi-Set(R), Smith Cattleguard(R), and Smith-Midland Excellence in Precast Concrete(R)), one Canadian registered trademark (Easi-Set(R)) and licensed the rights to another (DuriSol(R)); this agreement expired December 31, 2003.

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 would be very costly, and assuming the Company has sufficient resources, would divert funds and resources that otherwise could be used in the Company's operations. No assurance can be given that the Company would be successful in enforcing such rights, that the Company's products or processes do not infringe the patent or intellectual property rights of a third party, or that if the Company is not successful in a suit involving patents or other intellectual property rights of a third party, that a license for such technology would be available on commercially reasonable terms, if at all.

Government Regulation

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

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

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

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

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

Employees

As of March 22, 2004, the Company had 123 full-time and 7 part-time employees, 100 of which are located at the Company's Midland Virginia facility, and 23 of which are located at the Company's facility located in Reidsville, North Carolina. None of the Company's employees are represented by labor organizations and the Company is not aware of any activities seeking such organization. The Company considers its relationships with its employees to be satisfactory.

Item 2. Description of Property

Facilities

The Company operates two manufacturing facilities. The primary manufacturing operations are conducted in a 44,000 square foot manufacturing plant on approximately 22 acres of land in Midland, Virginia, of which approximately 19 acres are owned by the Company and three acres are leased from Rodney I. Smith, the Company's President, at an annual rental rate of $6,000. 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, and a quality control center. The Company's Midland facility also includes a large storage yard for inventory and stored materials.

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

The Company believes that its present facilities are adequate for its current needs and that they are adequately covered by insurance. Substantially all of the Company's facilities and equipment are used as collateral for a long-term note, which as of December 31, 2003, had a balance of $3.6 million. (see "Liquidity and Capital Resources").

Item 3. Legal Proceedings

In 1998, the Company began work on a contract to renovate the Bradley Hall building (the "Bradley Hall project") at Rutgers University ("Rutgers"). The Bradley Hall project, which was completed in October 1999, involved the design, production, and installation of Slenderwall(TM) panels by the Company. While executing the Bradley Hall project, the original structure was found to be not structurally sufficient to support the installation of the Slenderwall(TM) panels as originally designed. This lead to cost overruns relating to re-design of the panels, production of the panels with additional steel and reinforcing, and installation costs. In that the Company was suffering losses on the project and was unable to fund its commitments, in January 1999, the Company entered into an agreement with Seacoast Builders Corporation ("Seacoast"), the prime contractor for the project. Pursuant to the agreement, Seacoast agreed to finance the cost of labor and small tools for the balance of the installation phase of the project commencing January 13, 1999, (ii) the Company remained responsible for the other services and materials required for the project, including provision of the Slenderwall(TM) system, (iii) the Company was required to reimburse Seacoast out of payments due the Company for Seacoast's expenses plus 10% for overhead, and (iv) the Company remained liable for cost overruns for which the Company was originally responsible (the "Seacoast Agreement"). The cost overruns over the course of the entire project totaled approximately $1.6 million and the total loss to the Company on the job, before recovery on any claims by the Company, totaled approximately $1.45 million, which was recognized in fiscal 1999. Seacoast has filed claims in 1999 on the Company's behalf, in the amount of $1.1 million. All conditions for claim recognition have been satisfied and as of December 31, 2003, $497,000 of the contract claim was included in claims receivable. The Company believes that, based on the specific facts and circumstances and prior experience in claims settlement, it will ultimately collect the recorded claim receivable.

On February 15, 2000, Seacoast filed a suit in New Jersey Superior Court in Monmouth County against Rutgers, Grad Associates, P.A., the architect for the Bradley Hall project, and the Company. With respect to the Company, Seacoast alleges, among other things, that the Company failed to pay Seacoast $1,141,571 invoiced to the Company pursuant to the Seacoast agreement, that the Company failed to pay sub-contractors and suppliers, and that the Company did not complete all of the work and obligations required for the project. Seacoast has indicated that it has withheld $386,753 from the Company to offset the amount it alleges is due and owing from the Company. Seacoast claims that the Company is liable to it with respect to all of the matters indicated above, as well as any liquidated damages that may be assessed against Seacoast by Rutgers. The actual amount of damages sought by Seacoast against the Company are not specified. The Company has denied that it has any liability to Seacoast, and asserts, among other things, it dutifully performed the work required of it until such time as conditions beyond its control interfered with, frustrated, and interrupted its performance. Moreover, the Company has asserted that the conditions under which it was to perform its obligations related to the Bradley Hall project materially changed. The Company has counterclaimed against Seacoast in an amount in excess of $1,126,955 for Seacoast's failure to pay the Company for the additional work performed by it. In addition, the Company has filed a third party complaint against Sky-Lift Corporation ("Sky-Lift"), the initial subcontractor responsible for installation of the Slenderwall(TM) panels. The Company had entered into a sub-subcontract with Sky-Lift for the installation of hardware required to attach the Slenderwall(TM) building panels and the erection of the Slenderwall(TM) building panels. The Company has asserted that Sky-Lift abandoned its work on the project causing the Company to sustain damages in excess of $1,000,000, for which the Company is seeking damages. The Company also seeks indemnification from Sky-Lift for any damages that may be found to be owing by the Company to Seacoast.

The Company also separately commenced a suit, in October 1999, against Sky-Lift in the Supreme Court of New York, County of Westchester. The complaint essentially covers the same matters as described in the third party action disclosed in the immediately preceding paragraph.

On March 26, 2004, the parties, with the assistance of the Court-appointed Mediator, reached agreement to settle this matter and, as a result, all claims by or against the Company asserted in the action are expected to be dismissed with prejudice. The Company's only obligation in connection with the settlement will be the payment of the sum of $30,000 to Seacoast, in exchange for which the Company will receive a complete release of liability in connection with the Project. It is probable there will also be a non-cash gain recorded by the Company as a result of netting the amount recorded for Claims Receivable against the amount recorded for Estimated Contract Loss.

In March 2004, the Company received notice of a personal injury lawsuit filed by Thomas Hergenroeder in the Circuit Court for Baltimore City. Mr. Hergenroeder was working at a construction site located at the Baltimore Washington Airport located in Anne Arundel County, Maryland for another subcontractor. On or about August 2, 2002, Mr Hergenroeder allegedly suffered injuries when he slipped and fell on acid and water that had been sprayed by the Company. The suit seeks $1,000,000 in damages plus interest and costs of suit herein. Management believes the case to be without merit; it is being defended by the Company's insurance company, which had insured the Company in this type of claim.

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

Item 4. Submission of Matters to Vote of Security Holders - None.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters, and Small Business Issuer Purchases of Securities.

The Company's Common Stock has traded on the Boston Stock Exchange ("BSE") under the symbol "SMC" from December 13, 1995 to March 3, 2002. On March 4, 2002 the BSE amended the symbol to "SMID". The Company's Common Stock also trades on the OTC Bulletin Board System under the symbol "SMID".

As of March 26, 2004, there were approximately 85 record holders of the Company's Common Stock. Management believes there are at least 400 beneficial owners of the Company's Common Stock.

The following table sets forth the high and low closing prices on the OTC Bulletin Board System for the Company's Common Stock for the periods indicated. Such information was obtained from Yahoo Finance. These market quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

	High	Low
2003		
First Quarter	$ 1.30	$1.02
Second Quarter	$ 1.11	$0.75
Third Quarter	$ 0.95	$0.75
Fourth Quarter	$ 0.98	$0.79
2002		
First Quarter	$ 2.04	$1.40
Second Quarter	$ 2.37	$1.50
Third Quarter	$ 1.78	$1.20
Fourth Quarter	$ 1.33	$ .98

Dividends

The Company has not paid dividends on its Common Stock since its inception and may not pay any dividends to its stockholders in the foreseeable future. The Company currently intends to reinvest earnings, if any, in the development and expansion of its business. The declaration of dividends in the future will be at the election of the Board of Directors and will depend upon

earnings, capital requirements and financial position of the Company, general economic conditions and other pertinent factors. The Company's current loan agreement with UPS Capital prohibits the payment of dividends to stockholders without the bank's prior written consent, except for dividends paid in shares of the Company's Common Stock.

Shareholder Rights Plan

The Company's Board of Directors adopted a Shareholder Rights Plan (the "Plan") in January 2003. Under the Plan, preferred stock purchase rights (each, a "Right") were distributed as a dividend at the rate of one Right for each share of Common Stock outstanding as of the close of business on February 11, 2003 and automatically attach to shares issued thereafter. Each Right entitles the holder to purchase one one-hundredth of a share of newly created Series A Junior Participating Preferred Stock of the Company at an exercise price of $8.00 (the "Exercise Price") per Right. In general, the Rights will be exercisable if a person or group ("Acquiring Person") becomes the beneficial owner of 15% or more of the outstanding Common Stock of the Company or announces a tender offer for 15% or more of the Common Stock of the Company. When the Rights become exercisable, a holder, other than the Acquiring Person, will have the right to receive upon exercise Common Stock having a value equal to two times the Exercise Price of the Right. If, after the Rights become exercisable, the Company is acquired in a merger or similar transaction, each Right will entitle the holder thereof, other than the Acquiring Person, to purchase, at the Exercise Price, shares of the acquiring corporation having a value equal to two times the Exercise Price of the Right. After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of the outstanding Common Stock of the Company, the Board of Directors of the Company may extinguish the Rights by exchanging one share of Common Stock or an equivalent security for each Right, other than Rights held by the Acquiring Person. The Board of Directors will in general be entitled to redeem the Rights for $.001 per Right at any time prior to any person or group becoming an Acquiring Person. The Rights will expire on January 20, 2013.

Item 6. Management's Discussion and Analysis

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.

General

The Company generates revenues primarily from the sale, shipping, licensing, leasing and installation of precast concrete products for the construction, utility and farming industries. The Company's operating strategy has involved producing innovative and proprietary products, including Slenderwall(TM), a patented, lightweight, energy efficient concrete and steel exterior wall panel for use in building construction; J-J Hooks(TM) Highway Safety Barrier, a patented, positive-connected highway safety barrier; Sierra Wall, a sound barrier primarily for roadside use; and transportable concrete

buildings. In addition, the Company produces utility vaults, farm products such as cattleguards, and water and food troughs, and custom order precast concrete products with various architectural surfaces.

Plan for Operations in 2004

The Company's budget for 2004 is based on operating profitably at approximately $15 million in sales and generating positive cash flow to reduce the debt level. The Company formed a team made up of senior managers to identify and implement the steps necessary to return the Company to profitability which includes:

- Increasing the gross margin on our large projects by improving the estimating/bid process and regularly monitoring the actual costs incurred versus the budget.
- Improving quality by involving engineering more at the design stage, revising the scheduling process, upgrading the batching plant and strengthening the quality control and finishing departments.
- Decreasing employee turnover by improving testing of new hires, upgrading training and development and seeking more feedback from employees.
- Operating shipping at a profit by updating rates and procedures, benchmarking to other operations and a weekly report to monitor status.
- Improving cost controls by use of the budget to control expenses, reviewing key costs monthly to identify savings and assigning authority for spending levels.
- Increasing liquidity by extending the UPS Capital line of credit and seeking additional financing.

- Improving cost accounting by implementing the new MAS 500 integrated accounting software.

Preliminary results indicate the plan is working; the productions backlog at the end of February 2004 was approximately $4.6 million compared to approximately $1.4 million at the same time in 2003; sales in the first quarter of 2004 are ahead of budget; quality deficiencies and their related expenses are decreasing; approximately $1.3 million in costs have been identified for potential savings; and the credit line has been extended through July 1, 2004.

Results of Operations

Year ended December 31, 2003 compared to the year ended December 31, 2002

Overall, the Company's performance in 2003 was extremely disappointing with a consolidated net loss of $1,900,942 compared to a net profit of $600,511 for 2002. The causes of the net loss are a large decrease in sales that occurred in product sales and project billings; an increase in cost of goods sold as a percentage of sales in the same areas and an increase in selling, general and administrative expense. In the fourth quarter, the Company had a net loss of $1,603,477. The reasons for this loss are the same as for the year to date. The sales decrease was a result of a decrease in barrier, architectural, and soundwall products and Slenderwall(TM). Royalty fees were also down due to decreased barrier sales by the Company's licensees. The increase in the cost of goods sold was due to a much higher materials cost related to two projects which had been bid at a low margin, quality problems with several projects and the recognition of a contingent warranty expense. The increase in selling, general and administrative expense resulted from legal expenses mostly related to the Seacoast case; professional fees related to audit/tax work; an increase in workers compensation adjustment; business insurance, an increase in bad debt expense and additional advertising expense.

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For the year ended December 31, 2003, the Company had total revenue of $18,163,783 compared to total revenue of $22,604,958 for the year ended December 31, 2002, a decrease of $4,441,175, or 20%. Sales include revenues from product sales, royalty income, barrier rental income, installation income and shipping income. Total product sales were $14,115,735 for the year ended December 31, 2003, compared to $17,823,449 for the same period in 2002, a decrease of $3,707,714, or 21%. Sales of barrier, soundwall, architectural products and SlenderwallTM decreased due to a lack of projects using these products. Farm products and utility products had small increases and building sales were flat. Barrier rental revenue decreased to $447,476 for the year ended December 31, 2003 from $519,469 for the year ended December 31, 2002 due to a decrease in security related contracts related to events in the Washington D.C. metro area. Shipping and installation revenue was $3,133,469 for the year ended December 31, 2003 and $3,686,887 for the same period in 2002, a decrease of $553,418, or 15%. The decrease is attributable to the overall decrease in product and other sales. Royalty income totaled $487,323 for the year ended December 31, 2003, compared to $575,153 for the same period in 2002. The decrease of $87,830, or 15%, was due largely to a decrease in royalties from barrier sales. Revenue from the addition of new licensees was up slightly to $69,610 compared to $61,205 for the same period in 2002.

Construction activity remained weak most of the year in the Company's primary markets lagging behind the improvement in general economic conditions. This decreased the number of projects available to the Company and put increased price pressure on the Company's bids. The Company's unfilled order backlog for products increased in December and at the end of 2003 was significantly higher than it was at the same time in 2002. The Company's bid activity remains high and we expect the backlog to build up in 2004 if the upturn in the construction industry continues.

Total cost of goods sold for the year ended December 31, 2003 was $15,497,959, a decrease of $1,433,848, or 8%, from $16,931,807 for the year ended December 31, 2002. The majority of the decrease was the result of the lower volume of sales however, total cost of goods sold, as a percentage of total revenue, increased to 85% for the year ended December 31, 2003, from 75% for the year ended December 31, 2002. The increase in the cost of goods sold percentage was due to lower margins on projects; quality problems and higher complexity on the particular projects being produced in 2003. The lower margins were primarily due to the Company accepting a lower price on two projects bid in 2002 to maintain plant capacity when they were produced in 2003. The Company has put in place several improvements in the bid and forecast process that will help

identify these types of projects and what the effect will be on the production schedule. The Company has addressed its quality problems by assigning a senior manager to implement improvements related to training, adherence to procedures and quality reviews. Preliminary results have shown a decrease in quality related deficiencies.

For the year ended December 31, 2003, the Company's general and administrative expenses increased $418,354, or 14%, to $3,375,306, from $2,956,952 during the same period in 2002. This was due to increases in workers compensation adjustment; business insurance; legal expenses mostly related to the Seacoast case; use of temporary workers; personnel recruitment; professional fees related to audit/tax work; and health insurance.

Selling expenses for the year ended December 31, 2003 increased $116,401, or 8%, to $1,500,012 from $1,383,611 for the year ended December 31, 2002. The overall increase was due to increased payroll expense, advertising and sales commissions as the Company sought to offset revenue losses with greater marketing efforts.

The Company's operating loss for the year ended December 31, 2003 was $2,209,494, compared to operating income of $1,332,588 for the year ended December 31, 2002, a decrease of $3,542,082. The operating loss for the current year resulted from the decreased sales volume coupled with higher materials expense caused by quality problems (see explanation above) and increased selling, general and administrative expense.

Interest expense and loan fees was $289,173 for the year ended December 31, 2003, compared to $301,888 for the year ended December 31, 2002. The decrease of $12,715, or 4%, was due to lower average interest rates that more than compensated for the increase in the amount of debt.

Other expense, net of other income, totaled $73,618 in the year ended December 31, 2003 versus other expense of $69,852 for the year ended December 31, 2002. The decrease of $3,766 was due to normal business fluctuations.

Income tax benefit was $492,000 in the year ended December 31, 2003 compared to an income tax expense of $579,000 for the year ended December 31, 2002. The change from a tax expense to a tax benefit was due to the large net operating loss recorded in 2003.

Net loss was $1,900,942 for the year ended December 31, 2003, compared to net income of $600,511 for the same period in 2002. Basic and diluted net loss per share for the current year was $.43 compared to basic and diluted net income per share of $.16 for the year ended December 31, 2002 with 4,442,490 weighted average shares outstanding in the 2003 period versus 3,774,291 in the 2002 period.

Liquidity and Capital Resources

The Company has financed its capital expenditures and operating requirements in 2003 primarily with proceeds from bank and other borrowings.The Company had $5,233,154 of total indebtedness at December 31, 2003, of which $1,072,886 is scheduled to mature within twelve months. Included in this amount is $600,000 that is due on the credit line to UPS Capital as described below.

Schedule of Contractual Obligations

	Total	Less than 1 year	1 to 3 years	4 to 5 years
Long term debt and capital leases	$5,204,598	$1,045,226	$686,002	$391,624
Debt to related parties	$26,668	$26,668	$0	$0
Operating leases	$1,888	$992	$896	$0
Total contractual obligations	$5,233,154	$1,072,886	$686,898	$391,624

The Company has a $3,578,966 note with UPS Capital, formerly First International Bank, headquartered in Hartford, Connecticut. The note had an original term of twenty three years beginning on June 25, 1998 with an interest rate of 1.5% above prime, secured by equipment and real estate. The loan is guaranteed in part by the U.S. Department of Agriculture Rural Business-Cooperative Service's loan guarantee. Under the terms of the note, the Company's unfinanced fixed asset expenditures are limited to $300,000 per year for a five year period. In addition, UPS Capital will permit chattel mortgages on purchased equipment not to exceed $200,000 on an annual basis so long as the Company is not in default. At December 31, 2003, the Company was in violation of covenants related to fixed asset expenditures, however, the Company received a waiver of the covenants by the USDA and the bank. The Company also had a $1,000,000 line of credit, under which $600,000 was outstanding at December 31, 2003. UPS Capital informed the Company that it would not renew the line of credit when it expires April 1, 2004. However, as of April 15, 2004, UPS Capital had extended the expiration date on the line of credit until July 1, 2004 with an outstanding balance of $500,000.

At December 31, 2003, the Company had cash totaling $699,645 compared to cash totaling $1,223,756 at December 31, 2002. During 2003, the financing activities provided $971,847 (net) in cash which resulted mainly from borrowings to purchase fixed assets and use of the credit line to provide working capital; used $596,655 in its investing activities, primarily for the purchase of new equipment. The Company's operating activities used cash of $899,303 (net) due to the large net loss and increase in inventory which was offset by the decrease in accounts receivable and the increase in accounts payable.

Capital spending increased to $769,452 in 2003, from $756,763 in 2002 for various improvements in the plant and the existing infrastructure. The Company intends to continue to fund capital improvements but at a reduced scale that is in line with current operations and takes into account the current debt load.

As a result of the Company's debt burden, the Company is especially sensitive to changes in the prevailing interest rates. Increases in such interest rates may materially and adversely affect the Company's ability to finance its operations either by increasing the Company's cost to service its current debt, or by creating a more burdensome refinancing environment.

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. This payment schedule has resulted in liquidity problems for the Company because it must bear the cost of production for its products before it receives payment. Although no assurance can be given, the Company believes that anticipated cash flow from operations with adequate

project management on jobs, will be sufficient to finance the Company's operations for at least the next 12 months. In the event cash flow from operations and is not adequate to support operations, the Company is currently investigating alternative sources of financing, for which there can be no assurance of obtaining.

Significant Accounting Policies and Estimates

The Company's significant accounting policies are more fully described in it's 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 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 financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below, however, application of these accounting policies involves the exercise of judgment and the use of assumptions as to future uncertainties and as a result, actual results could differ from these estimates.

The Company evaluates the adequacy of its allowance for doubtful accounts at the end of each quarter. In performing this evaluation, the Company analyzes the payment history of its significant past due accounts, subsequent cash collections on these accounts and comparative accounts receivable aging statistics. Based on this information, along with consideration of the general strength of the economy, 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 estimates inventory markdowns based on customer orders sold below cost, to be shipped in the following period and on the amount of similar unsold inventory at period end. The Company analyzes recent sales and gross margins on unsold inventory in further estimating inventory markdowns. These specific markdowns are reflected in the cost of sales and the related gross margins at the conclusion of the appropriate sales period. This estimate involves significant judgment by the management of the Company. Actual gross margins on sales of excess inventory may differ from the Company's estimate.

The Company recognizes revenue on the sale of its standard precast concrete products at shipment date, including revenue derived from any projects to be completed under short-term contracts. Installation services for precast concrete products, leasing and royalties are recognized as revenue as they are earned on an accrual basis. Licensing fees are recognized under the accrual method unless collectibility is in doubt, in which event revenue is recognized as cash is received. Certain sales of Soundwall and Slenderwall concrete products are recognized upon completion of units produced under long-term contracts. When necessary, provisions for estimated losses on these contracts

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are made in the period in which such losses are determined. Changes in job performance, conditions and contract settlements that affect profit are recognized in the period in which the changes occur. Unbilled trade accounts receivable represents revenue earned on units produced and not yet billed.

Seasonality

The Company services the construction industry primarily in areas of the United States where construction activity is 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 materially affected by inflation in 2003.

Recent Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 did not have an effect on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS 150). This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This Statement requires many instruments previously classified ass equity to be classified as liabilities. Such as mandatorily redeemable shares and repurchase obligations related to an issuer's equity shares. The adoption of SFAS 150 did not have a material impact on the financial statements.

In December 2003, the FASB issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities (VIE)", which clarifies the application of ARB No. 51 and replaces Interpretation No. 46. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. A nonpublic enterprise shall apply this Interpretation to all entities that are subject to this Interpretation by the beginning of the first annual period beginning after

December 15, 2004. The Interpretation requires certain disclosures in financial statements issued after December 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. The Company does not believe that it has any VIE for consolidation.

Item 7. Financial Statements

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

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 8a. Controls and Procedures.

BDO Seidman, LLP ("BDO"), the Company's independent auditors advised the company's management that during the course of the fiscal 2003 audit, material weaknesses in internal controls were noted due to the lack of timely reconciliation of key accounts by the company, including cash, accounts receivable, inter-company accounts and accounts payable.

BDO also advised management of significant deficiencies with respect to certain other matters, principally relating to the documentation of job costs and the ability to identify on an on-going manner, the amount of profit or loss to be recognized on long-term contracts.

Management response

In regard to paragraph one above, the Company's principal executive officer and principal financial officer believe that the procedures followed by the Company provide reasonable assurance that the identified weaknesses and deficiencies did not lead to material misstatements in the Company's audited consolidated financial statements included in this report on Form 10-KSB. This problem occurred in one subsidiary only and was due to problems with the accounting information system. The Company recognizes the need for a more robust information system and has purchased MAS 500 software for this purpose. However, the Company recognizes the need for additional documentation of processes and training of personnel in how to use the new system. Several additional procedures have been implemented as corrective measures that will be used until the new system is up and running.

The Company's principal executive officer and principal financial officer believe that the inability of the current information system in Smith Midland Virginia to provide timely and accurate product cost information is a material weakness. A replacement system, MAS 500, has been purchased and is due to be implemented in the near future. This system provides full integration of the manufacturing process and the ability to provide timely and accurate cost information on the products the Company sells. The Company recognizes the need to document its processes and provide extensive training to the company's personnel in how the system works and what their responsibilities are.

In addition, BDO advised the Company that significant deficiencies were noted with respect to certain other matters, principally related to the lack of documentation of policies, procedures and responsibilities in a number of functional areas. In some cases the identified weaknesses could also constitute deficiencies in the Company's disclosure controls and procedures.

The Company's principal executive officer and principal financial officer believe that the procedures followed by the Company provide reasonable assurance that the identified deficiencies did not lead to material misstatements in the Company's audited consolidated financial statements and other disclosures included in this report on Form 10-KSB. The Company understands the importance of the role senior management must take in implementing an appropriate overall control environment and recognizes that components of the internal control structure and environment must be strengthened, including the need for additional documentation of processes and procedures and employee training in certain areas, and has initiated corrective measures to address these significant deficiencies.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

Name	Age	Director Or Executive Officer Since	Position
Rodney I. Smith	65	1970	Chief Executive Officer, President and Chairman of the Board of Directors
Ashley B. Smith	41	1994	Vice President of Sales and Marketing and Director
Wesley A. Taylor	56	1994	Vice President of Administration and Director
Andrew G. Kavounis	78	1995	Director
James W. Dean	66	2000	Vice President of Engineering Smith-Midland Corp.(Virginia)
John K. Johnson	53	2003	Chief Financial Officer
Guy Schuch	55	2004	Chief Operating Officer Smith-Midland Corp.(Virginia)

Background

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

Rodney I. Smith. Chairman of the Board of Directors, Chief Executive Officer and President. Rodney I. Smith co-founded the Company in 1960 and became its President and Chief Executive Officer in 1965. He has served on the Board of Directors and has been its Chairman since 1970. Mr. Smith is the principal developer and inventor of the Company's proprietary and patented products. He is the past President of the National Precast Concrete Association. Mr. Smith has served on the Board of Trustees of Bridgewater College in Bridgewater, Virginia since 1986.

Ashley B. Smith. Vice President of Sales and Marketing and Director. Ashley B. Smith has served as Vice President of Sales and Marketing of the Company since 1990 and as a Director since 1994. Mr. Smith holds a Bachelor of Science degree in Business Administration from Bridgewater College. Mr. Ashley B. Smith is the son of Mr. Rodney I. Smith.

Wesley A. Taylor. Vice President of Administration and Director. Wesley A. Taylor has served as Vice President of Administration of the Company since 1989 and as a Director since 1994, and previously held positions as Controller and Director of Personnel and Administration. Mr. Taylor holds a Bachelor of Arts degree from Northwestern State University.

Andrew Kavounis. Director. Andrew Kavounis has served as a Director of the Company since December 1995. Mr. Kavounis was President of Core Development Co., Inc., a privately held construction and development concern, from 1991 until he retired in 1995. From 1989 to 1991, Mr. Kavounis was the Executive Vice President of the Leadership Group, a Maryland based builder and developer. Prior to that time, Mr. Kavounis spent 37 years as an executive at assorted construction and development companies, which included a position as the National Vice President of Ryland Homes, a privately held company, in which capacity he was directly responsible for the construction of 17,000 homes annually, nationwide. Mr. Kavounis received a Bachelor of Science degree in Chemical Engineering from Presbyterian College, a Bachelor of Science degree in Civil and Mechanical Engineering from Wofford College, and a Master's degree in Business Administration from the University of South Carolina.

James W. Dean. Vice President of Engineering, Smith Midland Corp.(Virginia). Mr. Dean re-joined the company in November 2000. Prior to re-joining the Company, from November 1994 to October 2000, Mr. Dean worked for a concrete erector, Concrete Placement Systems. From December 1984 to October 1994, he served as the Vice President of Operations for Smith-Midland Corporation (Virginia). Mr. Dean holds a Bachelor of Science degree in Civil Engineering from Virginia Polytechnic Institute.

John K. Johnson. Chief Financial Officer. Mr. Johnson joined Smith-Midland Corporation in January 2003 as the Chief Financial Officer. Previously he was the chief Financial Officer for Iceweb, Inc., a communications company, from March 2001 to January 2003. From February 2000 to March 2001 he was the controller for Comstor, a distribution company, and from March 1999 to February 2000 he was the Director of Finance for Strayer Education, Inc., an education company. From January 1997 to March 1999 he was the Controller/CFO for Dunn*IDP Computer, Inc., a computer manufacturing and consulting company. Mr. Johnson is a member of the American Institute of Certified Public Accountants where he is involved in the business and industry section. Mr. Johnson received a BBA from Southern Methodist University and a MSBA from Boston University. He also served as a commissioned officer in the United States Air Force. Mr. Johnson's employment with the Company ended on April 20, 2004. His successor as Chief Financial Officer, Lawrence Crews, assumed his duties on April 21, 2004.

Guy Schuch. Chief Operating Officer, Smith Midland Corp. (Virginia). Mr. Schuch has served as Chief Operating Officer of Smith Midland (Virginia), the Company's primary operating subsidiary, from May 1999 to February 2002 and from January 2004 to present. Mr. Schuch was Production Manager for Southdown Corporation, a manufacturer of cement, from 1995 to 1998 and was a Plant Manager for LaFarge Corporation, a manufacturer of cement, from 1979 to 1995. Mr. Schuch holds a Master of Science degree in Industrial Engineering from Stanford University, and a Bachelor of Science degree in Mechanical Engineering from the Arts et Metiers School of Engineering in Paris, France.

Section 16(a) Beneficial Ownership Reporting Compliance

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

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

Code of Ethics

The Company adopted a code of ethics that applies to the principal executive officer, Chief Financial Officer, Controller and persons performing similar functions. The Board of Directors approved the code of ethics at their meeting on December 17, 2003. A copy of the code of ethics is filed as an exhibit to this report and is posted on the Company website. The website address is www.smithmidland.com.

Audit Committee

The Company does not have an Audit Committee of the Board of Directors; the entire Board of Directors serves the functions of the Audit Committee. No member of the Board of Directors qualifies as an "Audit Committee financial expert" as defined in Regulation S-B. As a small company, the Company does not have the resources to recruit a person that so qualifies.

Item 10. Executive Compensation.

The following table sets forth the compensation paid by the Company for services rendered for the last three completed fiscal years to the executive officers of the Company and its subsidiaries (the "named executive officers"), whose cash compensation exceeded $100,000 during 2003:

		Annual Compensation			Long Term Com	
					Awards	
Name and Principal Position	Year	Salary $	Bonus $	Other Annual Compen-sation $	Restricted Stock Awards $	Securities Under-Lying Options/ SARs (#)
Rodney I. Smith President, Chief Executive Officer and Chairman of the Board.	2003	82,192	190,560*	99,000**	0	20,000
	2002	170,962	189,081*	0	0	0
	2001	175,000	189,081	0	0	120,000
Michael Catteau*** Chief Operating Officer	2003	109,615	68,294	0	0	15,000
	2002	100,352	13,670	0	0	0
	2001	70,498	450	0	0	20,000
Wesley A. Taylor Vice President of Administration and Director	2003	84,596	23,430	0	0	10,000
	2002	82,963	33,120	0	0	0
	2001	68,879	1,788	0	0	20,000

Ashley B. Smith	2003	92,310	20,316	0	0	10,000
Vice President Sales and	2002	85,388	23,800	0	0	0
Marketing and Director	2001	89,165	2,005	0	0	20,000
Guy M. Schuch	2003	111,250	0	0	0	0
Chief Operating Officer	2002	111,250	29,933	0	0	0
Smith Midland Virginia	2001	111,250	0	0	0	30,000

* This is a non-cash (except for the portion related to the payment of taxes) bonus to Rodney Smith to pay down an officer receivable due the Company. The receivable originated in 1969 as $60,000. The current amount owed is equal to original principal plus accrued interest. See Employment Contracts and Termination of Employment and Change in Control Arrangements on page 29.

** This represents an annual royalty fee paid under Rodney Smith's employment agreement.

*** Mr. Catteau resigned as Chief Operating Officer in December 2003 and is expected to leave the Company at the end of April 2004.

Compensation of Directors

All non-employee Directors receive $500 per meeting as compensation for their services as Directors and are reimbursed for expenses incurred in connection with the performance of their duties. All employee Directors, except Rodney I Smith, receive $250 per meeting as compensation for their services and are reimbursed for expenses incurred in connection with the performance of their duties. Rodney I. Smith receives no compensation as a Director, but is reimbursed for expenses incurred in connection with the performance of his duties as a Director.

Option Grants in Last Fiscal Year

The following table summarizes option grants during 2003 to the named executive officers

Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	E
Rodney I Smith	20,000	14.3%	0.83	1
Wesley A. Taylor	10,000	7.1%	0.83	1
Ashley B. Smith	10,000	7.1%	0.83	1
Michel Catteau	15,000	10.7%	0.83	1

Aggregated Option Exercises in Last Fiscal Year and Year-End Option Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Shares Underlying Unexercised Options at Fiscal Year End (#) Exercisable	Unexercisable	Value of In-the-Mo at Fiscal Y Exercisable
Rodney I. Smith	0	0	120,000	60,000	8,550
Michael Catteau	0	0	13,333	21,667	333
Guy Schuch	0	0	35,000	10,000	4,813
Wesley A. Taylor	0	0	39,583	16,667	4,646
Ashley B. Smith	0	0	42,783	16,667	5,221

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(1) Value is based on the closing price of the Company's Common Stock on

December 31, 2003 ($0.85), the last trading day of 2003, less the option exercise price.

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

The Company entered into a four-year Employment Agreement with Rodney I. Smith, its current President and Chief Executive Officer, effective as of September 30, 2002. The term of employment automatically renews commencing on the date one year after the effective date, and on an annual basis thereafter, for an additional one year, unless earlier terminated or not renewed as provided for therein. The agreement provides for an annual base salary of $99,000 ("Base Salary"), which will be reviewed at least annually and adjusted from time to time at the determination of the Board of Directors. It also provides for an annual royalty fee of $99,000 payable as consideration for Mr. Smith's assignment to the Company of all of his rights, title and interest in and to the Patents (as defined in the agreement). Payment of the royalty continues only for as long as the Company is using the inventions underlying the non-expired Patents. Mr. Smith is also entitled to bonuses as follows (the "Bonus"): (i) a performance-based bonus as determined by the Board each calendar year, and (ii) a $27,000 quarterly bonus equal to one-twentieth of the then outstanding principal balance on the loan (the "Loan") made by the Company to Mr. Smith in the aggregate amount of $540,000, at the date of the employment agreement, and the unpaid interest accrued thereon during the quarter, and a cash amount which reimburses Mr. Smith for certain taxes payable by him as a result of such quarterly bonus. Payment of the Bonuses that are equal to one-twentieth of the Loan and the quarterly interest thereon are paid in the form of forgiveness of such principal and interest. Once the Loan has been fully repaid, no further quarterly Bonus in respect of the Loan shall be payable.

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

In the event Mr. Smith's employment by the Company is terminated as a result of Mr. Smith's (i) death, his estate shall be entitled to a lump sum payment of one times the combined Base Salary and Bonus, and certain other

accrued and unpaid amounts, or (ii) disability, Mr. Smith shall be entitled to Base Salary and Bonus for a period of one year commencing with the date of termination, and all other unpaid accrued amounts. In either of such cases the outstanding principal balance of the Loan, and any accrued interest thereon, shall be forgiven in full, and payment shall be made to reimburse for taxes payable as a result thereof.

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

The employment agreement also contains Noncompetition and Nonsolicitation covenants for one year following Mr. Smith's termination of employment for any reason.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth, as of March 19, 2004, certain information concerning ownership of the Company's Common Stock by (i) each person known by the Company to own of record or be the beneficial owner of more than five percent (5%) of the Company's Common Stock, (ii) named Executive Officers and Directors, and (iii) all Directors and Executive Officers as a group. Except as otherwise indicated, the Stockholders listed in the table have sole voting and investment powers with respect to the shares indicated.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned(2)	Percentage of of Class
Rodney I. Smith (1)(3)(4)(5)	742,298	16.2
Ashley B. Smith(1)(3)(4)(6)	133,250	3.0
Wesley A. Taylor(1)(7)	39,583	*
Andrew Kavounis(1)(8)	3,000	*
Michael Catteau (9)	13,333	*
Guy Schuch (1)(10)	35,000	*
AL Frank Asset Management, Inc. (11)	468,700	10.5
All directors, executive officers and key employees as a group (6 persons)(2)(12)	966,464	20.5

* Less than 1%

(1) The address for each of Messrs. Rodney I. Smith, Ashley B. Smith, Taylor, Kavounis, and Schuch 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 77,972 shares of Common Stock held by Matthew Smith and Roderick Smith, sons of Rodney I. Smith, and brothers of Ashley B. Smith, and shares held by Merry Robin Bachetti, sister of Rodney I. Smith and aunt of Ashley B. Smith, for which each of Rodney I. Smith and Ashley B. Smith disclaims beneficial ownership.

(5) Includes 100,000 shares of Common Stock that have been deposited into an irrevocable trust (the "Trust") for the benefit of Hazel Smith, the income beneficiary of the Trust and former wife of Rodney I. Smith, and mother of Mr. Smith's children. Mr. Smith is the trustee of the Trust and, as such, may vote the shares, as he deems fit. Includes options to purchase 120,000 shares.

(6) Includes options to purchase 42,783 shares.

(7) Includes options to purchase 39,583 shares.

(8) Includes options to purchase 3,000 shares.

(9) Includes options to purchase 13,333 shares.

(10) Includes options to purchase 35,000 shares.

(11) Address of holder is 32392 Coast Highway, Suite 260, Laguna Beach, CA 92651

(12) Includes options to purchase 253,699 shares for all directors, executive officers and key employees as a group.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Nu re fu eq pl se co
Equity compensation plans approved by security holders	607,075	$1.00	
Equity compensation plans not approved by security holders	0	$0	
Total	607,075	$1.00	

Item 12. Certain Relationships and Related Transactions.

At December 31, 2003, the Company owned an unsecured note for approximately $363,070 receivable from Mr. Rodney I. Smith, the Company's President and majority shareholder, accruing interest at a rate of 6% per annum. This note was extended by the Board of Directors at their July 22, 2002 meeting to mature on December 31, 2007. The Board also approved the use of bonuses to pay off the loan and any applicable taxes (more fully described in Item 10). Principal received on the note was $100,449 for the year ended December 31, 2003 and $94,763 the year ended December 31, 2002. Total interest received on this note was approximately $27,811 and $33,500 for the years ended December 31, 2003 and 2002, respectively.

Item 13. Exhibits, Lists and Reports on Form 8-K

(a) Exhibits.

(1) The following exhibits are filed herewith:

Exhibit Number	Description
3.1	Certificate of Incorporation, as amended (Incorporated by reference to the Company's Registration Statement on Form SB-2 (No. 33-89312) declared effective by the Commission on December 13, 1995).
3.2	Bylaws of the Company adopted on January 21, 2003 (Incorporated by reference to the Company's Registration Statement on Form 8-A (No. 000-25964) filed with the Commission on January 24, 2003).
4.1	Specimen Common Stock Certificate (Incorporated by reference to the Company's Registration Statement on Form SB-2 (No. 33-89312) declared effective by the Commission on December 13, 1995).
4.2	Rights Agreement, dated as of January 21, 2003, between the Company and Computershare Trust Company, Inc., as rights agent, including the Form of Certificate of Designations, the Form of Rights Certificate and the Summary of Rights to Purchase Preferred Shares attached thereto as Exhibits A, B, and C, respectively (Incorporated by reference to the Company's Registration Statement on Form 8-A (No. 000-25964) filed with the Commission on January 24, 2003).
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 Statement on Form SB-2 (No. 33-89312) declared effective by the Commission on December 13, 1995).
10.3	Form of License Agreement between the Company and its Licensee (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).
10.4	Promissory Note from Rodney I. Smith to the Company, dated as of December 31, 1997 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997 (Commission

File No.: 001-13752), filed with the Commission on April 15, 1998).

10.5	First National Bank of New England Loan Agreement, assumed by UPS Capital, dated June 25, 1998 (Incorporated by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 1998 (Commission File No.:001-13752), filed with the Commission on August 19, 1998).
10.6	First National Bank of New England Loan Note, dated June 25, 1998 (Incorporated by reference to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 1998 (Commission File No.:001-13752), filed with the Commission on August 19, 1998).
10.7	Continuation of Exclusive License Agreement between DuriSol Resources, Inc. and Smith-Midland Corporation, with an effective date of January 1, 1999, dated May 3, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999 (Commission File No.: 001-13752), filed with the Commission on April 14, 2000).

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10.8	First National Bank of New England Commercial Loan Agreement dated December 20, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999 (Commission File No.: 001-13752), filed with the Commission on April 14, 2000).
10.9	First National Bank of New England Commercial Term Promissory Note dated December 20, 1999 (Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1999 (Commission File No.: 001-13752), filed with the Commission on April 14, 2000).
10.10	Employment Agreement, dated September 30, 2002, between the Company and Rodney I. Smith.
10.11	1994 Stock Option Plan (as amended through October 1, 2002) (Incorporated by reference to the Company's Registration Statement on Form S-8 (No.: 333-102892) filed with the Commission on January 31, 2003).
14	Code of Professional Conduct
21	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 (Commission File No.: 001-13752) filed with the Commission on April 15, 1996).
23	Consent of BDO Seidman, LLP.
31.1	Certification of Chief Executive Officer.
31.2	Certification of Chief Financial Officer.
32	Certification pursuant 18 U.S.C. Section 1350 as adapted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K. None.

Item 14. Principal Accountant Fees and Services

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

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

Audit-Related Fees. There were no audit related fees paid in either of the two most recent fiscal years.

Tax Fees. Tax fees are for professional services rendered by BDO Seidman, LLP for tax compliance, tax advice, and tax planning. These fees related to services for preparation of taxes for 2002 and the estimated tax payments for 2003.

All Other Fees. There were no fees paid for the category All Other Fees.

The Company does not have an Audit Committee. The Board of Directors has the responsibility normally assigned to the Audit Committee. The Board of Directors has not adopted any blanket pre-approval policies and procedures. Instead, the Board will pre-approve the provision by BDO Seidman, LLP of all audit or non-audit services. The Board has not pre-approved all the tax fees paid by the Company in 2003 and 2002.

	2003	2002
Audit Fees	$85,000	$77,000
Audit -Related Fees	--	--
Tax Fees	12,000	16,000
All Other Fees	--	--

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SMITH-MIDLAND CORPORATION

Date: April 120, 2004

By: /s/ Rodney I. Smith

Rodney I. Smith, President
(principal executive officer)

By: /s/ John K. Johnson

John K. Johnson, CFO
(principal financial and
accounting officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Capacity	Date

----	--------	----
/s/ Rodney I. Smith ------------------------------------- Rodney I. Smith	Director	April 16, 2004
/s/ Wesley A. Taylor ------------------------------------- Wesley A. Taylor	Director	April 16, 2004
/s/ Ashley Smith ------------------------------------- Ashley Smith	Director	April 16, 2004
/s/ Andrew Kavounis ------------------------------------- Andrew Kavounis	Director	April 16, 2004

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Smith-Midland Corporation
and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2003 and 2002

Smith-Midland Corporation
and Subsidiaries

Contents

Report of Independent Certified Public Accountants

To the Board of Directors
Smith-Midland Corporation
Midland, Virginia

We have audited the accompanying consolidated balance sheets of Smith-Midland Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Smith-Midland Corporation and subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

Richmond, Virginia
March 31, 2004

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Consolida

December 31,	2003
Assets (Note 2)	
Current assets	
Cash	$ 699,645
Accounts receivable	
Trade - billed, (less allowance for doubtful accounts of $231,600 and $242,700)	4,201,835
Trade - unbilled	22,812
Inventories	
Raw materials	655,517
Finished goods	1,807,132
Income tax receivable	433,169
Prepaid expenses and other assets	242,607
Total current assets	8,062,717
Property and equipment, net (Note 1)	3,258,083
Other assets	
Notes receivable, officer (Note 3)	363,070
Claims and accounts receivable (Note 7)	676,203
Other (Note 3)	381,570
Total other assets	1,420,843
	$12,741,643

Smith-M

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December 31,	2003
Liabilities and Stockholders' Equity	

Current liabilities		
Line of credit	$ 600,000	$
Accounts payable - trade	2,568,012	
Accrued expenses and other liabilities	498,921	
Current maturities of notes payable (Note 2)	445,226	
Note payable - related parties	26,668	
Customer deposits	88,940	
Total current liabilities	4,227,767	
Reserve for contract loss (Note 7)	1,001,682	
Notes payable - less current maturities (Note 2)	4,161,260	
Notes payable - related parties (Note 3)	-	
Total liabilities	9,390,709	
Commitments and contingencies (Notes 5 and 7)		
Stockholders' equity (Note 6)		
Preferred stock, $.01 par value; authorized 1,000,000 shares, none outstanding	-	
Common stock, $.01 par value; authorized 8,000,000 shares; 4,449,548 and 4,432,948 issued and outstanding	44,495	
Additional paid-in capital	4,189,388	
Retained earnings (deficit)	(780,649)	
	3,453,234	
Treasury stock, at cost, 40,920 shares	(102,300)	
Total stockholders' equity	3,350,934	
	$12,741,643	

Smith-M

Consolidated Statem

Year Ended December 31,	2003
Revenue	
Products sales and leasing	$17,676,460
Royalties	487,323

Total revenue	18,163,783
Cost of goods sold	15,497,959
Gross profit	2,665,824
Operating expenses	
General and administrative expenses	3,375,306
Selling expenses	1,500,012
Total operating expenses	4,875,318
Operating income (loss)	(2,209,494)
Other income (expense)	
Interest expense and loan fees	(289,173)
Interest income (Note 3)	32,107
Other, net	73,618
Total other income (expense)	(183,448)
Income (loss) before income tax expense (benefit)	(2,392,942)
Income tax expense (benefit) (Note 4)	(492,000)
Net income (loss)	$(1,900,942)
Basic and diluted earnings (loss) per share (Note 8)	$ (.43)

Smith-M

Consolidated Statements of St

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock
Balance, December 31, 2001	$31,710	$3,494,854	$ 519,782	$(102,30
Warrants exercised	12,619	683,795	-	
Net income	-	-	600,511	
Balance, December 31, 2002	44,329	4,178,649	1,120,293	(102,30

Options exercised	166	10,739	-	
Net loss	-	-	(1,900,942)	
Balance, December 31, 2003	$44,495	$4,189,388	$ (780,649)	$(102,30

Smith-M

Consolidated Statem

Year Ended December 31,	2003
Cash Flows From Operating Activities	
Cash received from customers	$19,241,650
Cash paid to suppliers and employees	(19,456,368)
Income taxes paid, net	(396,379)
Interest paid	(289,173)
Other	967
Net cash (absorbed) provided by operating activities	(899,303)
Cash Flows From Investing Activities	
Purchases of property and equipment	(769,452)
Proceeds from sale of fixed assets	72,348
Repayments on officer note receivable	100,449
Net cash absorbed by investing activities	(596,655)
Cash Flows From Financing Activities	
Proceeds from borrowings	562,258
Repayments of borrowings	(184,277)
Net proceeds from line of credit	600,000
Repayments on borrowings - related parties, net	(17,039)
Proceeds from options/warrants exercised	10,905
Net cash provided by financing activities	971,847
Net (decrease) increase in cash	(524,111)
Cash, beginning of year	1,223,756
Cash, end of year	$ 699,645

Smith-M

Consolidated Statem

Year Ended December 31,	2003
Reconciliation of net income (loss) to net cash provided by operating activities	
Net income (loss)	$(1,900,942)
Adjustments to reconcile net income (loss) to net cash (absorbed) provided by operating activities	
Depreciation and amortization	463,614
Deferred taxes	(44,000)
(Gain) loss on sale of fixed assets	(5,864)
(Increase) decrease in	
Accounts receivable - billed	748,693
Accounts receivable - unbilled	329,174
Inventories	(473,030)
Prepaid expenses and other assets	(83,730)
Income tax receivable	(433,169)
Increase (decrease) in	
Accounts payable - trade	873,626
Accrued expenses and other liabilities	(391,350)
Customer deposits	17,675
Net cash (absorbed) provided by operating activities	$ (899,303)

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 primarily in the Mid-Atlantic region.
Principles of Consolidation	The accompanying consolidated financial statements include the accounts of Smith-Midland Corporation and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Inventories

Inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or market.

Property and Equipment

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

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

	Years
Buildings	10-33
Trucks and automotive equipment	3-10
Shop machinery and equipment	3-10
Land improvements	10-15
Office equipment	3-10

Income Taxes

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

Stock Options

The Company has elected to use the intrinsic value method of accounting as prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, for stock options granted to the Company's employees. This method does not result in the recognition of compensation expense when employee stock options are granted if the exercise price of the option equals or exceeds the fair market value of the stock at the date of grant.

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), establishes alternative methods of accounting for stock options. If the fair value method prescribed by SFAS 123 had been adopted, the effect on earnings would have been as follows:

	2003
Net income (loss), as reported	$(1,90
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3
Proforma net income (loss)	$(1,93
Basic earnings (loss) per share:	
Reported	$
Proforma	
Diluted earnings (loss) per share:	
Reported	$
Proforma	

The Company granted 140,000 stock options during the year ended December 31, 2003. The fair value of each option on the date of grant is estimated using the Black-Scholes option pricing model with the following assumptions: no dividend yield, expected volatility of 35%, risk-free interest rate of 4.29% and expected lives of seven to nine years. The weighted average fair value of options granted during the year ended December 31, 2003 was $.23. No options were granted in 2002. Substantially all options become vested and exercisable ratably over a five-year period.

At December 31, 2003, the Company had no warrants outstanding.

Revenue Recognition	The Company recognizes revenue on the sale of its standard precast concrete products at shipment date, including revenue derived from any projects to be completed under short-term contracts. Installation services for precast concrete products, leasing and royalties are recognized as revenue as they are earned on an accrual basis. Licensing fees are recognized under the accrual method unless collectibility is in doubt, in which event revenue is recognized as cash is received. Certain sales of Soundwall and Slenderwall concrete products are recognized upon completion of units produced under long-term contracts. When necessary, provisions for estimated losses on these contracts are made in the period in which such losses are determined. Changes in job performance, conditions and contract settlements which affect profit are recognized in the period in which the changes occur. Unbilled trade accounts receivable represents revenue earned on units produced and not yet billed.
Shipping	and Handling Amounts billed to customers are recorded in sales and the costs associated with the shipping and handling are recorded as cost of goods sold.
Risks and Uncertainties	The Company sells products to highway contractors operating under government funded highway programs and other customers and extends credit based on an evaluation of the customer's financial condition, generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure to credit losses and maintains allowances for anticipated losses. Management reviews accounts receivable on a monthly basis to determine the probability of collection. Any accounts receivable that are deemed to be uncollectible along with a general reserve, which is calculated based upon the aging category of the receivable, is included in the overall allowance for doubtful accounts. Management believes the allowance for doubtful accounts at December 31, 2003 is adequate. However, actual write-offs may exceed the recorded allowance. Due to inclement weather, the Company may experience reduced revenues from December through February and may realize the substantial part of its revenues during the other months of the year.
Fair Value of Financial Instruments	The carrying value for each of the Company's financial instruments (consisting of cash,

accounts receivable and accounts payable) approximates fair value because of the short-term nature of those instruments. The estimated fair value of the long-term debt approximates carrying value based on current rates offered to the Company for debt of the same maturities.

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Estimates

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

Earnings

Per Share Earnings per share is 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 reflects the potential dilution of securities that could share in earnings of an entity.

Long-Lived Assets

The Company reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable based on undiscounted estimated future operating cash flows. When any such impairment exists, the related assets will be written down to fair value. No impairment losses have been recorded through December 31, 2003.

Recent Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 did not have an effect on the Company's financial statements.

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Recent Accounting Pronouncements (continued)

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (SFAS 150). This Statementestablishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This Statement requires many instruments previously classified as equity to be classified as liabilities. Such as mandatorily redeemable shares and repurchase obligations related to an issuer's equity shares. The adoption of SFAS 150 did not have a material impact on the financial statements.

In December 2003, the FASB issued a revised Interpretation No. 46, "Consolidation of Variable Interest Entities (VIE)", which clarifies the application of ARB No. 51 and replaces Interpretation No. 46. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. A nonpublic enterprise shall apply this Interpretation to all entities that are subject to this Interpretation by the beginning of the first annual period beginning after December 15, 2004. The Interpretation requires certain disclosures in financial statements issued after December 31, 2003 if it is reasonably possible that the Company will consolidate or disclose information about variable interest entities when the Interpretation becomes effective. The Company does not believe that it has any VIE for consolidation.

Reclassifications

Certain reclassifications have been made in the prior year consolidated financial statements and notes to conform to the

December 31, 2003 presentation.

1. Property and Equipment

Property and equipment consist of the following:

December 31,	2003
Land and land improvements	$ 806,
Buildings	2,344,86
Machinery and equipment	6,442,78
Rental equipment	160,144
	9,754,35
Less: accumulated depreciation	6,496,27
	$3,258,0

2. Notes Payable

Notes payable consist of the following:

December 31,	2003
Note payable to UPS Capital, maturing June 2021; with monthly payments of $37,087 of principal and interest, interest at prime plus 1.5% (5.75% at December 31, 2003); collateralized by principally all assets of the Company.	$3,
Note payable to UPS Capital, maturing January 1, 2005; with monthly payments of $10,961 of principal and interest at prime plus 1.75% (6.0% at December 31, 2003); collateralized by blanket lien on Company assets.	

2. Notes Payable

December 31,

(continued)

Installment notes and capitalized leases, collateralized by certain machinery and equipment maturing at various dates, primarily July 2003 through October 2007, with interest at 7.25% through 11.07%.	$
	4,
Less current maturities	
	$4,

The Company has a mortgage loan, with a balance of $3,578,966 at December 31, 2003, which is guaranteed in part by the U.S. Department of Agriculture Rural Business - Cooperative Services (USDA). The loan agreement includes certain restrictive covenants, which require the Company to maintain minimum levels of tangible net worth and limits on total outstanding indebtedness and annual capital expenditures. At December 31, 2003 and 2002, the Company was in violation of covenants related to fixed asset expenditures, however, the Company was granted a waiver of the covenants by the USDA and the bank.

The Company also has a $1,000,000 line of credit, under which there was $600,000 outstanding at December 31, 2003. The line matures April 1, 2004.

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

Year Ending December 31,	Amount
2004	$ 445,226
2005	421,443
2006	265,455
2007	236,445
2008	155,179
Thereafter	3,082,738
	$4,606,486

3. Related Party Transactions

The Company currently leases three and one half acres of its Midland, Virginia property from its President, on a month-to-month basis, as additional storage space for the Company's finished work product. The lease agreement calls for annual rent of $6,000.

Notes payable - related parties are unsecured, which mature on December 15, 2004 and bear interest at 10%. Total interest expense related to these notes was $2,971 and $2,361 for the years ended December 31, 2003 and 2002, respectively.

At December 31, 2003, the Company held an unsecured note receivable for $363,070 from its President and majority shareholder, accruing interest at a rate of 6% per annum. Principal payments on the note were $100,449 for the year ended December 31, 2003 and $94,763 for the year ended December 31, 2002. Total interest income on this note was $27,811 and $33,500 for the years ended December 31, 2003 and 2002, respectively.

The Company was the beneficiary of individual life insurance policies on the life of the President with a total cash surrender value of approximately $204,782 and $183,000 as of December 31, 2003 and 2002, respectively. Borrowings of $190,997 and $153,000 were outstanding against the cash surrender value at December 31, 2003 and 2002, respectively.

4. Income Taxes

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

Year Ended December 31,	2003
Federal	
Current	$(814,00
Deferred	393,00
	(421,00
State	
Current	(126,00
Deferred	55,00
	(71,00
	$(492,00

4. Income Taxes (continued)

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:

Year Ended December 31,	2003	
	Amount	Percen
Income taxes at statutory rate	$(814,000)	(34%
Increase (decrease) in taxes resulting from:		
Change in valuation allowance	465,000	19
State income taxes, net of federal benefit	(83,000)	(4)
Revision to estimated net operating loss carryforward, net	-	-
Other	(60,000)	(2)
	$(492,000)	(21%

Deferred tax assets (liabilities) are as follows:

December 31,	2003
Net operating loss carryforward	$507,000
Depreciation	(204,000
Provision for doubtful accounts	88,000
Vacation accrued	54,000
Deferred income	20,000
Net deferred tax asset (liability)	465,000
Deferred tax asset valuation allowance	(465,000
	$ -

Net operating loss carryforward for tax purposes at December 31, 2003 was approximately $1,300,000 and expires in 2023.

At December 31, 2003, the Company offset the deferred tax asset with a valuation allowance since it could not predict the timing of the generation of future taxable income.

The net deferred tax liability at December 31, 2002 is included in accrued expenses and other liabilities in the consolidated balance sheet.

5. Employee Benefit Plans

The Company has a 401(k) retirement plan (the "Plan") covering substantially all employees. Participants may contribute up to 10% of their compensation to the Plan. The Company contributes 50% of the participant's contribution, up to 4% of the participant's compensation, as a matching contribution. Total contributions for the years ended December 31, 2003 and 2002 were approximately $69,400 and $35,600, respectively.

6. Stock Options

On August 5, 1994, the Board of Directors and Stockholders of the Company adopted the 1994 Stock Option Plan (the "1994 Plan"), which allows the Company to grant options to employees, officers, directors and consultants to purchase shares of the Company's Common Stock. Options granted under the plan may be either Incentive Stock Options or Non-Qualified Stock Options. Incentive Stock Options may be granted only to employees of the Company, while Non-qualified options may be issued to non-employee directors, consultants, and others, as well as to employees of the Company. On November 21, 2000, the maximum aggregate number of options which may be granted under the 1994 Plan was increased to 575,000 and was subsequently increased to 1,025,000 on July 22, 2002. The following tables summarize activity of the Plan and the stock options outstanding at December 31, 2003:

	Weighted Average Exercise Price
Balance, December 31, 2001	$1.04
Granted	-
Forfeited	1.08

Vested	-
Balance, December 31, 2002	1.04
Granted	.83
Forfeited	1.20
Exercised	.66
Vested	-
Balance, December 31, 2003	$1.00

6. Stock Options (continued)

The following table summarizes options outstanding at December 31, 2003:

	Options Outstanding	
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)
$.56	78,000	5.0
.80 - .81	332,000	8.4
1.00 - 1.39	177,075	6.6
3.50	20,000	1.5
	607,075	

7. Commitments and Contingencies

a) In 1999, the Company, through the general contractor, filed claims, in the amount of approximately $1,100,000 for damages and cost overruns incurred as a result of engineering and design flaws on a project to renovate a building at Rutgers University ("Rutgers"). Specifically, after the Company commenced the Rutgers project, the Company found that the original structure was not structurally sufficient to support the panels as originally designed. The cost overruns relate to re-designing panels, producing panels with additional steel reinforcement, and erection of the panels on the structure. The general contractor filed suit against the Company, Rutgers, and the architect on the project, for damages. While the actual damages were not specified, based upon the pleadings, the general contractor is seeking in excess of $700,000 in damages from the Company. The Company filed a countersuit against the general contractor for damages in excess of $1,100,000. The Company also filed suit against Skylift Corporation, the Company's subcontractor, initially responsible for installation of construction panels, for approximately $1,000,000. The Company has approximately $1,002,000 due to the general contractor included in reserve for contract loss at December 31, 2003 and 2002, respectively.

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7. Commitments and Contingencies (continued)

On March 26, 2004, the parties, with the assistance of the Court-appointed Mediator, reached agreement to settle this matter and, as a result, all claims by or againstSmith-Midland asserted in the action will be dismissed with prejudice. Smith Midland's only obligation in connection with the settlement will be the payment of the sum of $30,000 to Seacoast, in exchange for which Smith Midland will receive a complete release of liability in connection with the Project. It is probable there will also be a non-cash gain recorded by the Company as a result of netting the amount recorded for Claims Receivable against the amount recorded for Estimated Contract Loss.

b) In June 2000, the Company received notice of a personal injury lawsuit filed by Kenneth R. Hughes and Braunya P. Hughes in the United States District Court for the District of Columbia. Mr. Hughes was a road construction worker engaged in the transportation and relocation of pre-cast concrete barrier to create temporary concrete walls at road construction sites for a third party construction company. On or about June 20, 1997, Mr. Hughes suffered injuries when a barrier section-coupling device apparatus failed. The suit alleges that the Company sold the section-coupling device to the third party contractor and was negligent in the design and manufacture of said barrier section-coupling device. The suit seeks

$10,000,000 in compensatory damages and $10,000,000 in punitive damages. Management believes the suit to be without merit as there is no evidence that indicates that the Company either sold or manufactured the section-coupling device in question. In October 2002, the United States District Court dismissed the claim, however, the case was appealed and the original verdict was upheld on appeal.

In March 2004, the Company received notice of a personal injury lawsuit filed by Thomas Hergenroeder in the Circuit Court for Baltimore City. Mr. Hergenroeder was working at a construction site located at the Baltimore Washington Airport located in Anne Arundel County, Maryland for another subcontractor. On or about August 2, 2002, Mr Hergenroeder suffered injuries when he slipped and fell on acid and water that had been sprayed by the Company. The suit seeks $1,000,000 in damages plus interest and costs of suit herein. Management believes the case to be without merit; it is being defended by the Smith Midland's Insurance Company.

8. Earnings Per Share

Earnings per share is calculated as follows:

Year ended December 31,	2003
Basic earnings	
Income (loss) available to common shareholder	$(1,9
Weighted average shares outstanding	4,4
Basic earnings (loss) per share	$
Diluted earnings per share	
Income (loss) available to common shareholder	$(1,9
Weighted average shares outstanding	4,4
Dilutive effect of stock options	

Total weighted average shares outstanding	4,4
Diluted earnings (loss) per share	$

For the year ended December 31, 2003, the effect of the Company's outstanding stock options would have been anti-dilutive and therefore, excluded from dilutive earnings per share.