SMITH MIDLAND CORP
Form 10KSB
March 31, 2003

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, 2002

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 $22,604,958.

The aggregate market value of the shares of Common Stock, held by non-affiliates, based upon the closing price for such stock on March 20, 2003, was $3,869,855.

As of March 20, 2003, the Company had outstanding 4,432,948 shares of Common Stock, $.01 par value per share.

Transitional Small Business Disclosure Format

Yes ___ No X

Documents Incorporated By Reference
None.

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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 high level of indebtedness and ability to satisfy the same,
- our significant loss in 1998 under a material contract, and the litigation arising out of that contract,
- our limited recent history of profitable operations,
- 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 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.

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 is a party to a licensing agreement with DuriSol, Inc. of Ontario, Canada, ("DuriSol") permitting the Company to utilize the DuriSol(R) sound-absorbing technology until December 31, 2003 and expects to be able to renew this agreement. Under the Company's licensing agreement with DuriSol, the Company has an exclusive license to use DuriSol in Virginia and a right of first refusal for any new proprietary products developed by DuriSol. The Company pays a royalty to DuriSol equal to $.25 per square foot of product manufactured using DuriSol.

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, having received NCHRP-350 approval in March 1999.

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:

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

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

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

- 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 $20,000 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 32 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. The Company completed its first licensing arrangement for its SlenderwallTM exterior cladding system in 2001 which resulted in additional start-up fees and royalties of $83,727. Additional licensees were added in 2002:

2 agreements amounting to $45,000.

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.

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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 unique and technologically superior to competing products.

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 licenses the rights to another (DuriSol(R)). The Company licenses the technology used in DuriSol(R) products pursuant to an agreement that expires on 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.

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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, 2002, the Company had 117 full-time and 8 part-time employees, 101 of which are located at the Company's Midland facility, and 24 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, 2002, had a balance of $3.7 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 for (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, 2002 and 2001, $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,

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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.

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 is currently on appeal. The Company plans to vigorously defend its position, and believes that any settlement will be covered under the Company's general liability insurance and therefore will not adversely affect the financial statements.

In January 2001, the Company received notice of a wrongful death lawsuit filed by the Estate of Joy V. Snyder and her surviving children. The suit was settled during 2002 with an award to the plaintiff of $50,000 that was paid by insurance.

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.

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PART II

Item 5. Market for Common Equity and Related Stockholder Matters

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 22, 2003, there were approximately 78 record holders of the Company's Common Stock. Management believes there are at least 411 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.

	High	Low
2002		
First Quarter	$ 2.04	$1.40
Second Quarter	$ 2.37	$1.50
Third Quarter	$ 1.78	$1.20
Fourth Quarter	$ 1.33	$ .98
2001		
First Quarter	$ .88	$ .56

Second Quarter	$ 1.15	$ .62
Third Quarter	$ .95	$ .67
Fourth Quarter	$1 .48	$ .70

In 1999, the stockholders of the Company approved an amendment of the Company's Certificate of Incorporation to affect a one-for-three, one-for-two, three-for-five, two-for-three or three-for-four reverse stock split of the Common Stock of the Company, but as of the date of this report, the Board of Directors has taken no action in this regard and does not at this time intend to take any action. The reverse stock split was then contemplated as a means of retaining the Company's NASDAQ listing. Instead, the Company intends to apply for a listing on the BBX which will be a significant upgrade for both current and potential investors.

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 First International Bank 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.

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Results of Operations

Year ended December 31, 2002 compared to the year ended December 31, 2001

For the year ended December 31, 2002, the Company had total revenue of $22,604,958 compared to total revenue of $26,855,190 for the year ended December 31, 2001, a decrease of $4,250,232, or 16%. Sales include revenues from product sales, royalty income, barrier rental income, installation income and shipping income. Total product sales were $17,823,449 for the year ended December 31, 2002, compared to $20,470,542 for the same period in 2001, a decrease of $2,647,093, or 13%. Sales of Soundwall and SlenderwallTM increased due to strong product demand that partially compensated for the static or decreased sales in the other products. Barrier rental revenue decreased to $519,469 for the year ended December 31, 2002 from $1,722,696 for the year ended December 31, 2001. The majority of this decrease came from two large contracts for special events than totaled $1,446,588 in FY 2001. Shipping and installation revenue was $3,686,887 for the year ended December 31, 2002 and $3,815,341 for the same period in 2001, a decrease of $128,454, or 3%. The decrease is attributable to the overall decrease in product and other sales. Royalty income totaled $575,153 for the year ended December 31, 2002, compared to $846,611 for the same period in 2001. The decrease of $271,458, or 32%, was due in part to both a decrease in royalties earned of $135,761 and a decrease in start-up fees of $78,138. The Company believes that this decrease in royalties is a result of weak economic conditions and that for the future, royalty income will increase overall and become a larger part of the Company's overall revenues.

Construction activity has weakened in the Company's primary markets in line with general economic conditions. The Company's unfilled order backlog for products is significantly less compared to last year. The Company's bid activity does remain high and we expect the backlog to build up in the event that the economy improves in 2003.

Total cost of goods sold for the year ended December 31, 2002 was $16,931,807, a decrease of $3,533,797, or 17%, from $20,465,604 for the year ended December 31, 2001. 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, also decreased to 75% for the year ended December 31, 2002, from 76% for the year ended December 31, 2001, as the Company benefited from the implementation of numerous operations and production improvements.

For the year ended December 31, 2002, the Company's general and administrative expenses increased $11,440, or .4%, to $2,727,567, from $2,716,127 during the same period in 2001. This leveling off of expense was due to marginally higher personnel expense partially offset by decreases in professional fees.

Selling expenses for the year ended December 31, 2002 increased $195,898, or 16%, to $1,383,611 from $1,187,713 for the year ended December 31, 2001. The overall increase was due to adding more sales staff and increases in advertising and professional fees offset in part by lower sales commissions earned based on the reduced sales.

The Company's operating income for the year ended December 31, 2002 was $1,561,973, compared to operating income of $2,485,746 for the year ended December 31, 2001, a decrease of $923,773, or 37%. The lower operating income for the current year resulted from the decreased sales volume and higher operating expenses partially offset by a slightly higher gross profit margin percentage.

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Interest expense and loan fees was $301,888 for the year ended December 31, 2002, compared to $459,250 for the year ended December 31, 2001. The decrease of $157,362, or 34%, was due to lower levels of debt outstanding in the 2002 period with significantly lower average interest rates.

Other expense, net of other income, totaled $159,533 in the year ended December 31, 2002 versus other expense of $51,234 for the year ended December 31, 2001. The increase of $108,299 or 211% was primarily the result of the recognition of Virginia state use taxes, a level of expense that is not expected to be sustained.

Income tax expense was $579,000 in the year ended December 31, 2002 compared to $28,613 for the year ended December 31, 2001, an increase of $550,387. The increase was primarily the result of the utilization of all remaining net operating loss carryforwards in 2001 for which the Company had not previously recorded a benefit. Income tax expense for 2002 also included an approximately $78,000 net effect of a revision in the estimate of the net operating loss carryforwards from 2001.

Net income was $600,511 for the year ended December 31, 2002, compared to net income of $1,993,993 for the same period in 2001. Basic net income per share for the current year was $.16 compared to basic net income per share of $.65 for the year ended December 31, 2001 with 3,774,291 weighted average shares outstanding in the 2002 period versus 3,090,465 in the 2001 period. Diluted net income per share for the current year was $.16 compared to $.58 for the same period last year.

Liquidity and Capital Resources

The Company has financed its capital expenditures, operating requirements and growth to date primarily with proceeds from operations, supplemented by bank and other borrowings.The Company had $4,301,205 of total indebtedness at December 31, 2002, of which $456,256 was scheduled to mature within twelve months.

Schedule of Contractual Obligations

	Total	Less than 1 year	1 to 3 years	4 to 5 year

Long term debtand capital leases	$4,228,505	$412,112	$624,224	$456,334
Debt to related parties	$43,707	$17,039	$26,668	$0
Operating leases	$28,993	$27,105	$992	$896
Total contractual obligations	$4,301,205	$456,256	$651,884	$457,230

The Company has a $3,695,778 note with First International Bank ("FIB"), formerly the First National Bank of New England, 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, FIB 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, 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 $500,000 line of credit, under which there were no outstanding borrowings at December 31, 2002.

At December 31, 2002, the Company had cash totaling $1,223,756 compared to cash totaling $942,131 at December 31, 2001. During 2002, the financing activities provided $296,852 (net) in cash which resulted from the exercise of the Company's publicly traded warrants and the repayment of debt; used $660,028 in its investing activities, primarily for the purchase of new equipment. The Company's operating activities provided cash of $644,801 (net) after deducting the resources required to fund the Company's growth in infrastructure.

Capital spending increased to $756,763 in 2002, from $403,528 in 2001 for various improvements in the plant and the existing infrastructure. The Company intends to continue to fund capital improvements that enable productivity increases or reduce product costs.

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, and existing credit facilities will be sufficient to finance the Company's operations for at least the next 12 months. In the event cash flow from operations and existing credit facilities are 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

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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 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 experiences 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

To date, management believes that the Company's operations have not been materially affected by inflation.

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 will not have an effect on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123". This Statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company expects to continue using the intrinsic value method for accounting for its employee stock options.

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.

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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	64	1970	Chief Executive Officer, President and Chairman of the Board of Directors
Ashley B. Smith	40	1994	Vice President of Sales and Marketing and Director
Wesley A. Taylor	55	1994	Vice President of Administration and Director
Andrew G. Kavounis	77	1995	Director
James W. Dean	65	2000	Vice President of Engineering Smith-Midland Corp. (Virginia)
John K. Johnson	52	2003	Chief Financial Officer
Michel Catteau	36	2001	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. Mr. Smith 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.

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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 to 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 with the business and industry section. Mr. Johnson received a BBA from Southern Methodist University in 1972 and served as a commissioned officer in the United States Air Force from 1972 - 1977. He received an MSBA from Boston University in 1987.

Michel Catteau. Chief Operating Officer. Mr. Catteau has served as Chief

Operating Officer since February 2002. Prior to that he held the position of Vice-President of Operations. Before joining Smith-Midland Mr. Catteau worked as a Plant Manager and Project Manager for Precast Manufacturing Company in Saudi Arabia from 1997 to 2000. From 1990 to 1997 he worked as a Manager at Catteau Precast in Lier, Belgium. He holds a Bachelor of Science degree in Construction Engineering from Louvain University, Belgium, and a Bachelor of Arts degree as a translator English - Russian from the Hogeschool, Antwerp, Belgium.

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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.

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 2002:

	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	2002	170,962	189,081*	0	0	0
President, Chief	2001	175,000	189,081	0	0	120,000
Executive Officer	2000	175,000	54,500	0	0	0
and Chairman of the Board.						
Michael Catteau	2002	100,352	13,670	0	0	0
Chief Operating Officer	2001	70,498	450	0	0	20,000
	2000	N/A	N/A	N/A	N/A	N/A
Wesley A. Taylor	2002	82,963	33,120	0	0	0
Vice President of	2001	68,879	1,788	0	0	20,000
Administration and	2000	62,831	2,544	0	0	0

Director						
Ashley B. Smith	2002	85,388	23,800	0	0	0
Vice President Sales and	2001	89,165	2,005	0	0	20,000
Marketing and Director	2000	75,549	2,408	0	0	0
James W. Dean	2002	89,837	21,135	0	0	0
Vice President of	2001	97,117	0	0	0	20,000
Engineering	2000	7,428	0	0	0	0

*portion used to pay down note receivable

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.

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Option Grants in Last Fiscal Year

There were no option grants during 2002.

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

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Underlying Shares Unexercised Options at Fiscal Year End (#) Exercisable	Unexercisable	Value of Unexe In-the-Money O at Fiscal Year-E Exercisable	Une
Rodney I. Smith	0	0	73,334	86,666	29,084	
Michael Catteau	0	0	6,666	13,334	1,300	
Wesley A. Taylor	0	0	32,916	13,334	12,850	
Ashley B. Smith	0	0	36,116	13,334	14,333	
James W. Dean	0	0	6,666	13,334	1,300	

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(1) Value is based on the closing sales price of the Company's Common Stock on December 31, 2002 ($1.19), the last trading day of 2002, 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, 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 upaid 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.

The following table sets forth, as of March 20, 2003, 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)	689,132	15.3
Ashley B. Smith(1)(3)(4)(6)	126,583	2.8
Wesley A. Taylor(1)(7)	32,916	*
Andrew Kavounis(1)(8)	3,000	*
Michael Catteau (1)(9)	6,666	*
James Dean (1)(10)	12,335	*
All directors, executive officers and key employees as a group (6 persons)(2)(11)	870,632	19.0

* Less than 1%

(1) The address for each of Messrs. Rodney I. Smith, Ashley B. Smith, Taylor, Kavounis, Catteau and Dean 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 73,334 shares.

(6) Includes options to purchase 36,116 shares.

(7) Includes options to purchase 32,916 shares.

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

(9) Includes options to purchase 6,666 shares.

(10) Includes options to purchase 6,666 shares.

(11) Includes options to purchase 158,698 shares for all directors, executive officers and key employees as a group.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be listed upon exercise of outstanding options, warrants, and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Numb rema futu equi plan secu colu
Equity compensation plans approved by security holders	501,925	$1.04	
Equity compensation plans not approved by security holders	0	$0	
Total	501,925	$1.04	

Item 12. Certain Relationships and Related Transactions.

At December 31, 2002, the Company owned an unsecured note for approximately $463,519 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 were $94,763 for the year ended December 31, 2002 and $72,418 the year ended December 31, 2001. Total interest received on this note was approximately $33,497 and $37,800 for the years ended December 31, 2002 and 2001, respectively.

Item 13. Exhibits 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, 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).
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).
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.
99.1	Certification of Rodney I. Smith pursuant to 18 U.S.C. Section 1350.
99.2	Certification of John K. Johnson pursuant to 18.U.S.C. Section 1350.

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

Item 14. Controls and Procedures.

Our principal executive and financial officers have concluded, based on their evaluation as of a date within 90 days before the filing of this Form 10-KSB, that our disclosure controls and procedures under Rule 13a-14 of the Securities Exchange Act of 1934 are effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Subsequent to our evaluation, there were no significant changes in internal controls or other factors that could significantly affect these internal controls.

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: March 28, 2003

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	March 28, 2003
/s/ Wesley A. Taylor Wesley A. Taylor	Director	March 28, 2003
/s/ Ashley Smith Ashley Smith	Director	March 28, 2003
/s/ Andrew Kavounis Andrew Kavounis	Director	March 28, 2003

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CERTIFICATIONS

I, Rodney I. Smith, certify that:

1. I have reviewed this annual report on Form 10-KSB of Smith-Midland Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ Rodney I. Smith

Rodney I. Smith
Chairman of the Board, Chief Executive Officer and President

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I, John K. Johnson, certify that:

1. I have reviewed this annual report on Form 10-KSB of Smith-Midland Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 28, 2003

/s/ John K. Johnson

John K. Johnson
Chief Financial Officer

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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, 2002 and 2001, 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, 2002 and 2001, 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 10, 2003

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Smith-Midland Corporation
and Subsidiaries

Consolidated Balance Sheets

December 31,	2002	2001
Assets (Note 2)		
Current assets		
Cash	$ 1,223,756	$ 942,131
Accounts receivable		
Trade - billed, (less allowance for doubtful accounts of $242,739 and $371,895)	4,950,528	5,934,359
Trade - unbilled	351,986	458,281
Inventories		
Raw materials	498,984	585,736
Finished goods	1,490,635	1,042,660
Prepaid expenses and other assets	310,054	188,836
Total current assets	8,825,943	9,152,003
Property and equipment, net (Note 1)	3,018,729	2,672,665
Other assets		
Notes receivable, officer (Note 3)	463,519	558,282
Claims and accounts receivable (Note 7)	960,254	1,020,183
Other (Note 3)	230,393	237,036

Total other assets	1,654,166	1,815,501
	$13,498,838	$13,640,169

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

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Smith-Midland Corpor
and Subsidi

Consolidated Balance S
(conti

December 31,	2002	20
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable - trade	$ 1,978,437	$ 2,999,3
Accrued expenses and other liabilities	934,271	732,7
Current maturities of notes payable (Note 2)	412,112	604,1
Customer deposits	71,265	266,7
Total current liabilities	3,396,085	4,602,9
Reserve for contract loss (Note 7)	1,001,682	1,025,5
Notes payable - less current maturities (Note 2)	3,816,393	3,998,8
Notes payable - related parties (Note 3)	43,707	68,7
Total liabilities	8,257,867	9,696,1
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; 4,432,948 and 3,171,051 issued and outstanding	44,329	31,7
Additional paid-in capital	4,178,649	3,494,8
Retained earnings	1,120,293	519,7
	5,343,271	4,046,3
Treasury stock, at cost, 40,920 shares	(102,300)	(102,3
Total stockholders' equity	5,240,971	3,944,0

	$13,498,838	$13,640,1

See accompanying summary of accounting po
and notes to consolidated financial stat

Smith-Midland Corporation
and Subsidiaries

Consolidated Statements of Operations

Year Ended December 31,	2002	2001
Revenue		
Products sales and leasing	$22,029,805	$26,008,579
Royalties	575,153	846,611
Total revenue	22,604,958	26,855,190
Cost of goods sold	16,931,807	20,465,604
Gross profit	5,673,151	6,389,586
Operating expenses		
General and administrative expenses	2,727,567	2,716,127
Selling expenses	1,383,611	1,187,713
Total operating expenses	4,111,178	3,903,840
Operating income	1,561,973	2,485,746
Other income (expense)		
Interest expense and loan fees	(301,888)	(459,250)
Interest income (Note 3)	78,959	47,344
Other, net	(159,533)	(51,234)
Total other income (expense)	(382,462)	(463,140)
Income before income tax	1,179,511	2,022,606
Income taxes (Note 4)	579,000	28,613
Net income	$ 600,511	$ 1,993,993
Basic earnings per share (Note 8)	$ .16	$ .65

Diluted earnings per share (Note 8)	$ .16	$ .58

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

Smith

Consolidated Statements of

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock
Balance, December 31, 2000	$30,917	$3,453,222	$(1,474,211)	$(102,30
Warrants exercised	793	41,632	-	
Net income	-	-	1,993,993	
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

See accompanying summary of
and notes to consolidated

Smith-Midland Corporation
and Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31,	2002	2001
Cash Flows From Operating Activities		
Cash received from customers	$23,752,774	$24,436,973
Cash paid to suppliers and employees	(22,697,023)	(22,782,393)
Income taxes paid, net	(110,226)	(28,613)
Interest paid	(301,888)	(459,250)
Other	1,164	(3,890)

Net cash provided by operating activities	644,801	1,162,827
Cash Flows From Investing Activities		
Purchases of property and equipment	(756,763)	(403,528)
Proceeds from sale of fixed assets	1,972	70,972
Repayments on officer note receivable	94,763	72,418
Net cash absorbed by investing activities	(660,028)	(260,138)
Cash Flows From Financing Activities		
Proceeds from borrowings	223,294	234,285
Repayments of borrowings	(597,786)	(437,121)
Repayments on borrowings - related parties, net	(25,070)	(18,411)
Proceeds from warrants exercised	696,414	42,425
Net cash provided (absorbed) by financing activities	296,852	(178,822)
Net increase in cash	281,625	723,867
Cash, beginning of year	942,131	218,264
Cash, end of year	$ 1,223,756	$ 942,131

continued...

Smith-Midland Corporation
and Subsidiaries

Consolidated Statements of Cash Flows
(continued)

Year Ended December 31,	2002	2001
Reconciliation of net income to net cash provided by operating activities		
Net income	$ 600,511	$1,993,993
Adjustments to reconcile net income to net cash Provided by operating activities		
Depreciation and amortization	407,563	363,732
Deferred taxes	44,000	-
(Gain) loss on sale of fixed assets	1,164	(18,923)
(Increase) decrease in		
Accounts receivable - billed	597,078	(1,812,241)
Accounts receivable - unbilled	106,295	(455,876)
Inventories	(361,223)	423,982
Prepaid expenses and other assets	332,107	(113,616)
Increase (decrease) in		

Accounts payable - trade	(1,020,930)	517,129
Accrued expenses and other liabilities	133,687	414,747
Customer deposits	(195,451)	(150,100)
Net cash provided by operating activities	$ 644,801	$1,162,827

See accompanying summary of accounting policie
and notes to consolidated financial statement

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:

	2002
Net income, as reported	$600,511
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(58,100)
Proforma net income	$542,411
Basic earnings per share:	
Reported	$ .16
Proforma	.14
Diluted earnings per share:	
Reported	$ .16

	Proforma	.14

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.

Revenue Recognition (continued)	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, 2002 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.
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, 2002.
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 will not have an effect on the Company's financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123". This Statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company expects to continue using the intrinsic value method for accounting for its employee stock options.

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Smith-Midland Corporation
and Subsidiaries

Summary of Significant Accounting Policies
(continued)

Reclassifications

Certain reclassifications have been made in the prior year consolidated financial statements and notes to conform to the December 31, 2002 presentation.

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Smith-Midland Corporation
and Subsidiaries

Notes to Consolidated Financial Statements

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1. Property and Equipment

Property and equipment consist of the following:

December 31,	2002
Land and land improvements	$ 682,092
Buildings	2,412,198
Machinery and equipment	5,855,101
Rental equipment	160,144

	9,109,535
Less: accumulated depreciation	6,090,806
	$3,018,729

2. Notes Payable

Notes payable consist of the following:

December 31,	
Note payable to First International Bank, maturing June 2021; with monthly payments of $37,087 of principal and interest, interest at prime plus 1.5% (5.75% at December 31, 2002); collateralized by principally all assets of the Company.	$3,6
Note payable to First International Bank, maturing January 1, 2005; with monthly payments of $10,961 of principal and interest at prime plus 1.75% (6.0% at December 31, 2002); collateralized by blanket lien on Company assets.	2
Line of credit with First International Bank, maturing May 1, 2002; interest payable monthly at prime plus 1% (5.8% at December 31, 2001); collateralized by accounts receivable and inventory.	

2. Notes Payable (continued)

December 31,	
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%.	$ 3
Note payable to individual, maturing March 2003; with monthly payments of $432 of principal and interest, interest at 12%; collateralized by a drop-deck trailer.	
	4,2
Less current maturities	4

$3,8

The Company has a mortgage loan, with a balance of $3,695,778 at December 31, 2002, which is guaranteed in part by the U.S. Department of Agriculture Rural Business - Cooperative Services. 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, 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 $500,000 line of credit, under which there were no outstanding borrowings at December 31, 2002.

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Smith-Midland Corporation
and Subsidiaries

Notes to Consolidated Financial Statements
(continued)

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2. Notes Payable (continued)

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

Year Ending December 31,	Amount
2003	$ 412,112
2004	379,134
2005	245,090
2006	235,673
2007	220,661
Thereafter	2,735,835
	$4,228,505

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, with no specified maturity date (but no earlier than January 1, 2004) and bear interest at 10%. Total interest expense related to these notes was $2,361 and $1,589 for the years ended December 31, 2002 and 2001, respectively.

At December 31, 2002, the Company held an unsecured note receivable for approximately $463,500 from its President and majority shareholder, accruing interest at a rate of 6% per annum. Principal payments on the note were $94,763 for the year ended 2002 and $72,418 for the year ended December 31, 2001. Total interest income on this note was approximately $33,500 and $37,800 for the years ended December 31, 2002 and 2001, 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 $183,000 as of December 31, 2002 and 2001. Borrowings of approximately $153,000, were outstanding against the cash surrender value at December 31, 2002 and 2001.

4. Income Taxes

Income tax expense is comprised of the following:

Year Ended December 31,	2002	2001
Federal		
Current	$442,000	$24,100
Deferred	37,000	-
	479,000	24,100
State		
Current	93,000	4,513
Deferred	7,000	-
	100,000	4,513
	$579,000	$28,613

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,	2002	
	Amount	Percent

Income taxes at statutory rate	$401,000	34%
Increase (decrease) in taxes resulting from:		
Reduction in valuation allowance	-	-
State income taxes, net of federal benefit	59,000	5
Revision to estimated net operating loss carryforward, net	78,000	7
Other	41,000	3
	$579,000	49%

Smith-Midland Corporation
and Subsidiaries

Notes to Consolidated Financial Statements
(continued)

4. Income Taxes (continued)

Deferred tax assets (liabilities) are as follows:

December 31,	2002
Depreciation	$(196,000)
Provision for doubtful accounts	93,000
Vacation accrued	46,000
Deferred income	13,000
Net deferred tax asset (liability)	(44,000)
Deferred tax asset valuation allowance	-
	$ (44,000)

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

At December 31, 2001, 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.

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, 2002 and 2001 were approximately $35,600 and $110,000, 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, 2002:

	Weighted Average Exercise Price	Options Outstanding	Ex
Balance, December 31, 2000	$1.07	174,975	1
Granted	1.02	343,000	
Forfeited	1.00	(11,550)	
Vested	-	-	
Balance, December 31, 2001	1.04	506,425	1
Granted	-	-	
Forfeited	1.08	(4,500)	
Vested	-	-	1
Balance, December 31, 2002	$1.04	501,925	2

The following table summarizes options outstanding at December 31, 2002:

	Options Outstanding	
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)

$.56	88,000	5.0
.80 - .81	204,000	8.3
1.00 - 1.39	189,925	3.7
3.50	20,000	3.5
	501,925	

6. Stock Options (continued)

The Company granted 343,000 stock options during the year ended December 31, 2001. 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 88%, risk-free interest rate of 5.07% and expected lives of seven to nine years. Substantially all options become vested and exercisable ratably over a five year period.

At December 31, 2001, the Company had 1,421,052 warrants outstanding with exercise prices ranging from $.60 to $1.00. During 2002, 1,261,897 warrants were exercised and the remaining shares expired in August 2002.

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, 2002.

The Company's outside counsel has provided the Company with an opinion that a legal basis exists for a claim against the general contractor and Rutgers. All conditions for claim recognition have been satisfied, and as of December 31, 2002, approximately $574,000 of the potential $1,100,000 contract claim is included in claims receivable, as such amounts are probable (subject to negotiations and legal proceedings). The Company believes that, based on prior experience in claims settlement, it will ultimately collect the recorded claim receivable. In addition, approximately $386,000 of amounts due from the general contractor that are being disputed are included in claims receivable at December 31, 2002 and 2001.

b) In January 2001, the Company received notice of a wrongful death lawsuit filed by the Estate of Joy V. Snyder and her surviving children. The suit was settled during 2002 with an award to the plaintiff of $50,000 that was paid by insurance.

7. Commitments and Contingencies (continued)

c) 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 is currently on appeal. The Company plans to vigorously defend its position, and believes that any settlement will be covered under the Company's general liability insurance and therefore will not adversely affect the financial statements.

8. Earnings Per Share

Earnings per share is calculated as follows:

Year ended December 31,	2002
Basic earnings	
Income available to common shareholder	$ 600,
Weighted average shares outstanding	3,774,
Basic earnings per share	$
Diluted earnings per share	
Income available to common shareholder	$ 600,
Weighted average shares outstanding	3,774,
Dilutive effect of stock options	89,
Dilutive effect of warrants	
Total weighted average shares outstanding	3,863,
Diluted earnings per share	$

9. Subsequent Event

In January 2003, the Company's Board of Directors adopted a Shareholder Rights Plan (the "Plan") under which, 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. 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. The Rights will expire on January 20, 2013.