SECURITIES & EXCHANGE COMMISSION EDGAR FILING

SMITH MIDLAND CORP

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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

or

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

For the transition period from ________ to ________

Commission File Number 1-13752

Smith-Midland Corporation

(Exact name of Registrant as specified in its charter)

Delaware	**54-1727060**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ❑

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

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

Large accelerated filer ❑ Accelerated filer ❑ Emerging growth company ❑

Non-accelerated filer ❑ Smaller reporting company ☑

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

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

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

Common Stock, $.01 par value, outstanding as of November 5, 2018 : 5,080,395 shares, net of treasury shares

SMITH-MIDLAND CORPORATION
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PART I — FINANCIAL INFORMATION

ITEM 1. Financial Statements

SMITH-MIDLAND CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

ASSETS	September 30, 2018 (Unaudited)	December 31, 2017
Current assets		
Cash and cash equivalents	$ 2,687	$ 3,390
Investment securities, available-for-sale, at fair value	1,094	1,098
Accounts receivable, net		
Trade - billed (less allowance for doubtful accounts of $246 and $208)	10,091	8,967
Trade - unbilled	496	251
Inventories, net		
Raw materials	879	819
Finished goods (less reserves of $39)	2,383	2,696
Prepaid expenses and other assets	533	452
Refundable income taxes	1,325	1,359
Total current assets	**19,488**	**19,032**
Property and equipment, net	**10,876**	**9,867**
Deferred buy-back lease asset, net	**4,321**	**—**
Other assets	**255**	**326**
Total assets	**$ 34,940**	**$ 29,225**

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

SMITH-MIDLAND CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	September 30, 2018 (Unaudited)	December 31, 2017
Current liabilities		
Accounts payable - trade	$ 2,385	$ 3,059
Accrued expenses and other liabilities	525	588
Deferred revenue	1,229	1,144
Accrued compensation	822	1,231
Income taxes payable	338	—
Dividend payable	—	256
Current maturities of notes payable	659	637
Customer deposits	1,415	919
Total current liabilities	**7,373**	**7,834**
Deferred buy-back lease obligation	5,389	—
Notes payable - less current maturities	2,744	2,896
Deferred tax liability	1,194	1,290
Total liabilities	**16,700**	**12,020**
Stockholders' equity		
Preferred stock, $.01 par value; authorized 1,000,000 shares, none issued and outstanding	—	—
Common stock, $.01 par value; authorized 8,000,000 shares; 5,225,648 and 5,214,148 issued and 5,080,395 and 5,047,895 outstanding, respectively	52	51
Additional paid-in capital	5,986	5,719
Treasury stock, at cost, 40,920 shares	(102)	(102)
Accumulated other comprehensive loss	(41)	(19)
Retained earnings	12,345	11,556
Total stockholders' equity	**18,240**	**17,205**
Total liabilities and stockholders' equity	**$ 34,940**	**$ 29,225**

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

SMITH-MIDLAND CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share data)

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Revenue		
Product sales	$ 6,828	$ 9,295
Barrier rentals	540	319
Royalty income	465	483
Shipping and installation revenue	1,711	1,384
Total revenue	**9,544**	**11,481**
Cost of goods sold	6,951	8,303
Gross profit	**2,593**	**3,178**
Operating expenses		
General and administrative expenses	1,305	1,383
Selling expenses	624	564
Total operating expenses	**1,929**	**1,947**
Operating income	**664**	**1,231**
Other income (expense)		
Interest expense	(44)	(44)
Interest income	10	9
Gain on sale of assets	51	15
Other income	11	11
Total other income (expense)	**28**	**(9)**
Income before income tax expense	692	1,222
Income tax expense	172	474
Net income	**$ 520**	**$ 748**
Basic and diluted earnings per share	**$ 0.10**	**$ 0.15**
Weighted average number of common shares outstanding:		
Basic	**5,080**	**5,054**
Diluted	**5,099**	**5,099**

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

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

	Three Months Ended September 30,	
	2018	**2017**
Net income	$ 520	$ 748
Other comprehensive loss, net of tax:		
Net unrealized holding loss (1)	(9)	(1)
Comprehensive income	$ 511	$ 747

(1) Unrealized losses on available-for-sale securities are shown net of income tax benefit of $3 and $0 for September 30, 2018 and 2017, respectively.

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

SMITH-MIDLAND CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share data)

	Nine Months Ended September 30,	
	2018	**2017**
Revenue		
Products sales	$ 21,224	$ 21,853
Barrier rentals	1,188	3,145
Royalty income	1,193	1,387
Shipping and installation revenue	4,897	5,321
Total revenue	**28,502**	**31,706**
Cost of goods sold	21,508	22,361
Gross profit	**6,994**	**9,345**
Operating expenses		
General and administrative expenses	4,059	3,840
Selling expenses	1,913	1,825
Total operating expenses	**5,972**	**5,665**
Operating income	**1,022**	**3,680**
Other income (expense)		
Interest expense	(135)	(135)
Interest income	29	28
Gain on sale of assets	106	32
Other income	30	35
Total other income (expense)	**30**	**(40)**
Income before income tax expense	1,052	3,640
Income tax expense	262	1,323
Net income	**$ 790**	**$ 2,317**
Basic income per share	**$ 0.16**	**$ 0.46**
Diluted income per share	**$ 0.15**	**$ 0.46**
Weighted average number of common shares outstanding:		
Basic	**5,078**	**5,036**
Diluted	**5,098**	**5,075**

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

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Net income	$ 790	$ 2,317
Other comprehensive income (loss), net of tax:		
Net unrealized holding gain (loss)(1)	(22)	6
Comprehensive income	$ 768	$ 2,323

(1) Unrealized gains (losses) on available for sale securities are shown net of income tax (benefit) expense of $(7) and $4 for September 30, 2018 and 2017, respectively.

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

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash flows from operating activities:		
Net income	$ 790	$ 2,317
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	840	694
Gain on sale of assets	(106)	(32)
Allowance for doubtful accounts	39	(119)
Stock compensation	256	290
Deferred taxes	(97)	(63)
(Increase) decrease in		
Accounts receivable - billed	(1,163)	(3,461)
Accounts receivable - unbilled	(246)	76
Inventories	254	(419)
Prepaid expenses and other assets	(44)	(149)
Refundable income taxes	33	96
Increase (decrease) in		
Accounts payable - trade	(674)	462
Accrued expenses and other liabilities	(63)	179
Deferred revenue	85	622
Accrued compensation	(409)	132
Accrued income taxes payable	339	—
Deferred buy-back lease obligation, net	5,389	—
Customer deposits	495	1,051
Net cash provided by operating activities	5,718	1,676
Cash flows from investing activities:		
Purchases of investment securities available-for-sale	(24)	(28)
Purchases of property and equipment	(1,737)	(2,569)
Deferred buy-back lease asset	(4,400)	—
Proceeds from sale of fixed assets	113	37
Net cash used in investing activities	(6,048)	(2,560)
Cash flows from financing activities:		
Proceeds from long-term borrowings	350	183
Repayments of long-term borrowings	(479)	(435)
Dividends paid on common stock	(256)	(49)
Proceeds from options exercised	12	117
Net cash used in financing activities	(373)	(184)
Net decrease in cash and cash equivalents	(703)	(1,068)
Cash and cash equivalents		
Beginning of period	3,390	3,523
End of period	$ 2,687	$ 2,455

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

NOTE 1. – INTERIM FINANCIAL REPORTING

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information, and with the instructions to Form 10-Q and Article 10 and Regulation S-X. Accordingly, we have condensed or omitted certain information and footnote disclosures that are included in our annual financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2017. The condensed consolidated December 31, 2017 balance sheet was derived from the audited financial statements included in the Form 10-K. Dollar amounts in the footnotes are stated in thousands, except for per share data.

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

Recent Accounting Pronouncements

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Adoption of this ASU requires lessees to recognize assets and liabilities for most leases. For public business entities the guidance is effective for financial statements issued for annual periods beginning after December 15, 2018, and interim periods within those annual periods and early adoption is permitted. The Company is currently evaluating the impact of adoption on the Company’s financial position, results of operations and cash flows.

Recently Adopted Accounting Pronouncements

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Adoption of this ASU requires that an entity recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in U.S. GAAP when it became effective. The standard allowed for application retrospectively to each prior period presented (full retrospective method) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective method). The Company adopted the new revenue guidance effective January 1, 2018 using the modified retrospective method to all contracts that were not substantially complete at the date of adoption. The adoption of Topic 606 did not have, and is not expected to have, a material impact on the timing or amount of revenue recognized as compared to the Company's previous revenue recognition policies. Accordingly, there was no adjustment recorded to beginning retained earnings for the cumulative impact of adoption on January 1, 2018.

Revenue Recognition

Product Sales - Over Time

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

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

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

Product Sales - Point in Time

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

Accounts Receivable and Contract Balances

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

Any uncollected billed amounts for our performance obligations recognized over time, including contract retentions, are recorded within accounts receivable. At September 30, 2018 and December 31, 2017, accounts receivable included contract retentions (in thousands) of approximately $1,596 and $1,065, respectively.

Our billed and unbilled revenue may be exposed to potential credit risk if our customers should encounter financial difficulties, and we maintain reserves for specifically-identified potential uncollectible receivables. At June 30, 2018 and December 31, 2017, our allowances for doubtful accounts (in thousands) were $246 and $208, respectively.

Effect of Adopting ASC Topic 606

As discussed in Recently Adopted Accounting Pronouncements, no adjustment to beginning 2018 retained earnings was recorded as a result of our adoption of Topic 606 due to no changes in the methods and/or timing of our revenue recognition for our uncompleted contracts. Further, the difference in our results of the first three quarters of 2018 between application of the new standard on our contracts and what results would have been if such contracts had been reported using the accounting standards previously in effect, for such contracts, did not change.

Sale to Customer with a Buy-Back Guarantee

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

In the case the customer does not exercise the buy-back option and retains ownership of the product at the end of the usage period, the guarantee buy-back liability and any deferred revenue balances related to the product are settled to revenue, and the net book value of the asset is expensed to cost of leasing revenue. If the customer exercises the buy-back guarantee option, the Company purchases the product back in the amount equal to the buy-back guarantee, we settle any remaining deferred balances, in excess of the buy-back payment, to leasing revenue, and we reclassify the net book value of the product on the consolidated balance sheet to inventory. The revenue is being recognized in accordance with Topic 840, *Leases*.

Barrier Rentals - Leasing Fees

Leasing fees are paid by customers at the beginning of the lease agreement and are recorded as deferred revenue. The deferred revenue is then recognized each month as lease income for the duration of the lease, in accordance with Topic 840, Leases. Topic 840 is applied, as Topic 606-10-15-2 provides a scope exception for lease contracts.

Royalty Income

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

Shipping and Installation

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

Disaggregation of Revenue

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018	2017	Change	% of Change	2018	2017	Change	% of Change
Product Sales:								
Soundwall Sales	$ 2,334	$ 2,368	$ (34)	(1)%	$ 7,339	$ 5,024	$ 2,315	46%
Architectural Panel Sales	41	551	(510)	(93)%	498	569	(71)	(12)%
SlenderWall Sales	1,637	913	724	79%	4,203	912	3,291	361%
Miscellaneous Wall Sales	87	639	(552)	(86)%	846	2,012	(1,166)	(58)%
Barrier Sales	1,749	3,615	(1,866)	(52)%	5,624	9,684	(4,060)	(42)%
Easi-Set and Easi-Span Building Sales	496	730	(234)	(32)%	1,557	2,127	(570)	(27)%
Utility and Farm Product Sales	429	322	107	33%	890	1,129	(239)	(21)%
Miscellaneous Product Sales	55	157	(102)	(65)%	267	396	(129)	(33)%
Total Product Sales	**6,828**	**9,295**	**(2,467)**	**(27)%**	**21,224**	**21,853**	**(629)**	**(3)%**
Barrier Rentals	540	319	221	69%	1,188	3,145	(1,957)	(62)%
Royalty Income	465	483	(18)	(4)%	1,193	1,387	(194)	(14)%
Shipping and Installation Revenue	1,711	1,384	327	24%	4,897	5,321	(424)	(8)%
Total Service Revenue	**2,716**	**2,186**	**530**	**24%**	**7,278**	**9,853**	**(2,575)**	**(26)%**
Total Revenue	**$ 9,544**	**$ 11,481**	**$ (1,937)**	**(17)%**	**$ 28,502**	**$ 31,706**	**$ (3,204)**	**(10)%**

Warranties

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

Use of Estimates

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

Segment Reporting

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

Reclassifications of Certain Items Included within Comparable Prior Year Periods and Previous Current Year Interim Periods

Certain reclassifications of amounts within the Company's first and second quarter 2018 Form 10-Q filings have been made in this filing to conform to current period presentation. Specifically, during the quarter ended September 30, 2018, the Company determined that the amount related to the Deferred buy-back lease asset as reflected within one line in the operating activities section of the condensed consolidated statement of cash flows for the three and six months ended March 31, 2018 and June 30, 2018, respectively, should have been classified as cash flows used in investing activities. There is no impact to the condensed consolidated statements of operations or condensed consolidated balance sheets. The Company evaluated the effect of this misclassification and concluded it was not material to any of its previously issued condensed consolidated financial statements. Upon revision, cash flows from operating activities for the three and six month periods ended March 31, 2018 and June 30, 2018 will increase by $1,076 and $2,986, respectively to cash and cash equivalents (used in) provided by operating activities of $(427) and $1,647, respectively and cash flows used in investing activities will increase by $1,076 and $2,986, respectively to cash and cash equivalents used in investing activities of $1,906 and $3,992, respectively.

Certain minor reclassifications have been made to prior year amounts to conform to current year presentation. Use tax was reclassified to Cost of goods sold from General and administrative expenses on the Condensed Consolidated Statements of Operations for the three and nine months ending September 30, 2018 of $78 and $243, respectively, and $60 and $86 for the three and nine months ended September 30, 2017, respectively. There was no impact to net income for the periods.

NOTE 2. – NET INCOME PER SHARE

Basic earnings per common share exclude all common stock equivalents, primarily restricted stock awards, and is computed using the weighted average number of common shares outstanding during the period. The diluted earnings per common share calculation reflects the potential dilutive effect of securities that could share in earnings of the Company. As of September 30, 2018, there are no outstanding stock options. For periods prior to September 30, 2018 outstanding options were excluded from the diluted earnings per share calculation when they would have an anti-dilutive effect. Earnings per share are calculated as follows (in thousands, except earnings per share):

	Three Months Ended September 30,	
	2018	**2017**
Basic income per share		
Net income	$ 520	$ 748
Weighted average shares outstanding	5,080	5,054
Basic income per share	**$ 0.10**	**$ 0.15**
Diluted income per share		
Net income	$ 520	$ 748
Weighted average shares outstanding	5,080	5,054
Dilutive effect of stock options and restricted stock	19	45
Total weighted average shares outstanding	5,099	5,099
Diluted income per share	**$ 0.10**	**$ 0.15**

	Nine Months Ended September 30,	
	2018	**2017**
Basic income per share		
Net income	$ 790	$ 2,317
Weighted average shares outstanding	5,078	5,036
Basic income per share	**$ 0.16**	**$ 0.46**
Diluted income per share		
Net income	$ 790	$ 2,317
Weighted average shares outstanding	5,078	5,036
Dilutive effect of stock options and restricted stock	20	39
Total weighted average shares outstanding	5,098	5,075
Diluted income per share	**$ 0.15**	**$ 0.46**

NOTE 3. – NOTES PAYABLE (dollar amounts in thousands)

The Company has a mortgage note payable to Summit Community Bank (the “Bank”), with a balance of $870 as of September 30, 2018. The note has a maturity date of September 20, 2021 and a fixed interest rate of 3.99% annually with monthly payments of $26 and is secured by principally all of the assets of the Company. Under the terms of the note, the Bank will permit chattel mortgages on purchased equipment not to exceed $250 for any one individual loan so long as the Company is not in default.

The Company has a mortgage note payable to the Bank for the the purchase of the Columbia, South Carolina facility. Such loan is evidenced by a promissory note dated July 19, 2016. The note provides for a 15 year term, a fixed annual interest rate of 5.29%, monthly fixed payments of $11 and a security interest in favor of the Bank in respect of the land, building and fixtures purchased with the proceeds of the loan. The balance of the loan at September 30, 2018 was $1,188.

The Company additionally has 15 smaller installment loans with annual interest rates between 2.94% and 5.29% and varying balances totaling $1,345.

Under the loan agreement with the Bank, the Company is limited to annual capital expenditures of $3,500. The Company is in compliance with all covenants pursuant to the loan agreement as of September 30, 2018.

The Company also has a $4,000 line of credit increased from $2,000 previously, secured by accounts receivable and inventory. The line is evidenced by a commercial revolving promissory note with the Bank, which carries a variable interest rate equal to the Wall Street Journal's prime rate. In addition, the Company has a commitment from the Bank in the amount of $1,500 for an equipment line of credit. Neither line of credit carried a balance at September 30, 2018. Both lines were recently renewed extending the maturity date on the $4,000 line of credit to October 1, 2019 and the $1,500 line of credit to November 28, 2019.

NOTE 4. – STOCK COMPENSATION

In accordance with ASC 718, the Company had no stock option expense for the three and nine months ended September 30, 2018 and September 30, 2017. The Company uses the Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. In 2016, the Company's Board of Directors replaced the 2008 Stock Option Plan with the 2016 Equity Incentive Plan, which does not provide for the issuance of options. Consequently, the Company cannot issue any additional options, if, and until, a new stock option plan is approved by the Board of Directors.

The following table summarizes options outstanding at September 30, 2018:

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2017	**10,333**	**$ 1.21**
Granted	—	—
Forfeited	—	—
Exercised	(10,333)	(1.21)
Outstanding options at September 30, 2018	—	$ —
Outstanding exercisable options at September 30, 2018	—	$ —

The fair value of restricted stock awards is estimated to be the market price of the Company's common stock at the close of the date of grant. Restricted stock activity during the nine months ended September 30, 2018 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Balance, December 31, 2017	**125,333**	**$ 5.13**
Granted	2,500	7.00
Vested	(22,167)	(5.62)
Forfeited	(1,333)	(4.95)
Non-vested, end of period	104,333	$ 5.14

Awards are being amortized to expense ratably, on an annual basis, over a three year vesting term, except one grant in January 2018 for 2,500 shares of restricted stock, and one grant in January 2017 for 15,000 shares of restricted stock, which vested upon grant. There was stock compensation expense (in thousands) of approximately $256 for the nine months ended September 30, 2018 and $290 for the nine months ended September 30, 2017 . The total unrecognized compensation cost as of September 30, 2018 related to the non-vested restricted stock is approximately $316.

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

Forward-Looking Statements

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

- no assurance on profitable operations; in this respect, while the Company was profitable for the years ended December 31, 2017 and 2016, and the second and third quarters of 2018, it reported a net loss for the three months ended March 31, 2018.
- we have a significant debt level, and our ability to satisfy the same cannot be assured,
- the continued availability of financing in the amounts, at the times, and on the terms required, to support our future business and capital projects,
- the extent to which we are successful in developing, acquiring, licensing or securing patents for proprietary products,
- changes in economic conditions specific to any one or more of our markets (including the availability of public funds and grants for construction),
- changes in general economic conditions in the Company’s primary service areas,
- adverse weather, which inhibits the demand for our products,
- our compliance with governmental regulations,
- the outcome of future litigation, if any,

- on material construction projects, our ability to produce and install product that conforms to contract specifications and in a time frame that meets the contract requirements,
- the cyclical nature of the construction industry,
- our exposure to increased interest expense payments should interest rates change,
- the Company's Board of Directors, which is composed of five members, has only two outside, independent directors, and
- the other factors and information disclosed and discussed in other sections of this Report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

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

Overview

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

The Company was incorporated in Delaware on August 2, 1994. Prior to a corporate reorganization completed in October 1994, the Company conducted its business primarily through Smith-Midland Virginia, which was incorporated in 1960 as Smith Cattleguard Company, a Virginia corporation, and which subsequently changed its name to Smith-Midland Corporation in 1985. The Company's principal offices are located at 5119 Catlett Road, Midland, Virginia 22728 and its telephone number is (540) 439-3266. As used in this report, unless the context otherwise requires, the term the "Company" refers to Smith-Midland Corporation and its subsidiaries.

The Company had (in thousands) a net loss of $421 for the first quarter 2018, net income of $691 for the second quarter 2018, and net income of $520 for the third quarter 2018, resulting in net income of $790 for the nine months ended September 30, 2018 . The cost of goods sold as a percent of revenue, not including royalties, for the three and nine months ended September 30, 2018 was 77% and 79%, respectively, as compared to 75% and 74% for the three and nine months ended September 30, 2017, respectively. The increase in cost of goods sold as a percentage of revenue, not including royalties, for the third quarter of 2018, compared to the third quarter of 2017, is mainly due to a decreased margins at the Columbia, South Carolina plant. The increase in cost of goods sold as a percentage of revenue, not including royalties, for the nine months ended September 30, 2018, compared to the same period in 2017, is mainly due to a short-term, high risk special project which occurred in the first quarter 2017 that had higher margins than typical manufacturing. Total sales for the three and nine months ended September 30, 2018 are lower than the same period in 2017 mainly due to the deferred revenue associated with the guaranteed buy-back agreement for barrier of $5,389. Although the barrier product sales are not currently being recognized, the Company has begun recognizing barrier rental revenue which will continue through the life of the project. Accordingly, once all product is delivered to this customer, the Company will nonetheless continue to recognize the net profits from this project until the buy-back option is either exercised or expired. Delivery of product commenced in the second quarter of 2018 and is expected to be completed by the second quarter of 2019. The buy-back option expires when the buyer completes the project utilizing the barrier, which is expected to be in 2022. Thus, whereas the Company will likely have completed its obligations in 2019, it will nonetheless continue to recognize net profits through 2022. The current backlog of $31.0 million supports revenues into 2019. Management anticipates continued profit for the remainder of 2018, although no assurance can be given.

Results of Operations (dollar amounts in thousands, except per share data)

Three and nine months ended September 30, 2018 compared to the three and nine months ended September 30, 2017

Sales include revenues from product sales, royalty income, barrier rental income and shipping and installation income. Product sales are further divided into soundwall, architectural and SlenderWall™ panels, miscellaneous wall panels, highway barrier, Easi-Set® and Easi-Span® buildings, utility and farm products, and miscellaneous precast products. The following table summarizes the sales by product type and comparison for the three and nine month periods ended September 30, 2018, and 2017.

Revenue By Type (Disaggregated Revenue)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018	**2017**	**Change**	**% of Change**	**2018**	**2017**	**Change**	**% of Change**
Product Sales:								
Soundwall Sales	$ 2,334	$ 2,368	$ (34)	(1)%	$ 7,339	$ 5,024	$ 2,315	46%
Architectural Panel Sales	41	551	(510)	(93)%	498	569	(71)	(12)%
SlenderWall Sales	1,637	913	724	79%	4,203	912	3,291	361%
Miscellaneous Wall Sales	87	639	(552)	(86)%	846	2,012	(1,166)	(58)%
Barrier Sales	1,749	3,615	(1,866)	(52)%	5,624	9,684	(4,060)	(42)%
Easi-Set and Easi-Span Building Sales	496	730	(234)	(32)%	1,557	2,127	(570)	(27)%
Utility and Farm Product Sales	429	322	107	33%	890	1,129	(239)	(21)%
Miscellaneous Product Sales	55	157	(102)	(65)%	267	396	(129)	(33)%
Total Product Sales	**6,828**	**9,295**	**(2,467)**	**(27)%**	**21,224**	**21,853**	**(629)**	**(3)%**
Barrier Rentals	540	319	221	69%	1,188	3,145	(1,957)	(62)%
Royalty Income	465	483	(18)	(4)%	1,193	1,387	(194)	(14)%
Shipping and Installation Revenue	1,711	1,384	327	24%	4,897	5,321	(424)	(8)%
Total Service Revenue	**2,716**	**2,186**	**530**	**24%**	**7,278**	**9,853**	**(2,575)**	**(26)%**
Total Revenue	**$ 9,544**	**$ 11,481**	**$ (1,937)**	**(17)%**	**$ 28,502**	**$ 31,706**	**$ (3,204)**	**(10)%**

Soundwall Sales - Soundwall sales slightly decreased for the three month period ended September 30, 2018 when compared to the same period in 2017. Soundwall sales increased for the nine month period ended September 30, 2018 when compared to the same period in 2017. The increase for the nine month period in soundwall sales is because all three production facilities were producing soundwall projects as compared to 2017 when soundwall production started in South Carolina. Our newest and largest soundwall contract, awarded in April 2018, is expected to be produced and delivered over a four year period. This project will help maintain higher soundwall production and sales over the next several years. With the current backlog and continued increase in highway work, management expects soundwall sales to trend up for the remainder of the year and the full year 2018 soundwall sales to surpass the full year 2017 soundwall sales.

Architectural Panel Sales - Architectural panel sales decreased during the three and nine month periods ended September 30, 2018, compared to the same periods in 2017. Revenue will remain at a low volume through the remainder of 2018. There will continue to be production during 2018, as the Company is close to finalizing the contract on a large SlenderWall project, for which architectural panels are a compliment product in the design. With a few orders expected to be received in the near future, architectural production for 2019 is expected to exceed 2018 annual production.

SlenderWall™ - There were significant SlenderWall panel sales for the three and nine month periods ended September 30, 2018, as compared to the same periods of 2017. SlenderWall sales are projected to continue through the remainder of 2018 as production of a large project is expected to run through the end of the year 2018 and into 2019. This proprietary product continues to remain a focus of the sales team, with the long-term expectation of expanding SlenderWall sales in both the Charlotte, North Carolina and Atlanta, Georgia markets to match growth in the Southeast United States.

Miscellaneous Wall Sales - Miscellaneous wall sales decreased for the three and nine month periods ended September 30, 2018, when compared to the same periods in 2017. The Company had very few miscellaneous wall projects during the first three quarters of 2018 as compared to the first three quarters of 2017. With varying market demand, miscellaneous wall sales are expected to trend up in the fourth quarter of 2018 with a recent order received and expected completion by the end of 2018. The Company continues to bid on selective miscellaneous wall projects as they are released, as some projects can be very profitable due to their unique characteristics.

Barrier Sales - Barrier sales decreased during the three and nine month periods ended September 30, 2018, compared to the same periods in 2017. Although barrier production has increased, a large portion of production is not being recognized as barrier sales due to the guaranteed buy-back agreement with a customer; instead the Company will recognize the income as barrier rental revenue over the duration of the project, for which deliveries began in the second quarter of 2018 and are expected to be completed during the first half of 2019. Accordingly, once all product is delivered to this customer, the Company will nonetheless continue to recognize the revenue as barrier rental revenue until the buy-back option is either exercised or expired. Management expects barrier sales to be lower for 2018 as compared to annual barrier sales for 2017 due to the buy-back guarantee, while periods subsequent to the completion of delivery will be favorably effected by the continued recognition of deferred revenues in the category of barrier rentals.

Easi-Set® and Easi-Span® Building Sales - Building and restroom sales decreased for the three and nine month periods ended September 30, 2018, compared to the same periods in 2017. The Company continues to see an increase in bids in the local markets of all three manufacturing facilities. Bids from the Columbia, South Carolina plant have picked up significantly. The Company recently received a large building order and management expects there to be an increase during the fourth quarter of 2018 in building and restroom sales, and also expects 2018 annual sales to match or exceed 2017 annual sales.

Utility and Farm Product Sales - Utility and farm products sales increased in the three month period ended September 30, 2018, as compared to the same period in 2017. Utility and farm products sales decreased in the nine month period ended September 30, 2018, as compared to the same period in 2017. Utility products are tied closely with infrastructure spending by federal, state and local governments. With the passage of the federal highway bill, and growth in residential and commercial construction, sales and bids on these products are slowly improving. Although there are competitors who specialize in lower priced utility products, the Company is much more competitive on large contracts. Management believes utility product sales will remain at the current level or slightly increase during the remainder of 2018.

Miscellaneous Product Sales - Miscellaneous products are products produced and sold that do not meet the criteria defined for other revenue categories. Miscellaneous product sales decreased for the three and nine month periods ended September 30, 2018, as compared to the same periods in 2017. Management believes that miscellaneous product sales will decrease for the remainder of the year.

Barrier Rentals - Barrier rentals increased for the three month period ended September 30, 2018 as compared to the same period in 2017. The increase is due to a focus on providing additional barrier rental services to customers and the recognition of revenue on the guaranteed buy-back agreement. Barrier rentals decreased significantly for the nine month period ended September 30, 2018, compared to the same period in 2017. The decrease is mainly due to a special project that occurred in the first quarter of 2017. Excluding the special project in 2017, barrier rental sales in the first nine months of 2018 increased when compared to the same period in 2017. With the Company expanding the barrier rental services, management believes it has the potential to increase barrier rental revenue for the remainder of 2018, and moving forward as the outlays for infrastructure spending by federal and state governments continue to increase. As stated above in Barrier Sales, barrier rental revenue will continue to be positively effected for future periods due to the accounting treatment afforded to the guaranteed buy-back agreement with a customer.

Royalty Income - Royalties decreased for the three and nine month periods ended September 30, 2018 as compared to the same periods in 2017. The decrease was due to the slow first quarter 2018 for barrier, which was attributable to poor weather conditions in the southern states. Management continues to seek new licensee opportunities to expand product offerings around the world. With steady increase in construction and infrastructure spending, management believes royalty revenue will be strong through the end of 2018, although no assurance can be given.

Shipping and Installation - Shipping revenue results from shipping our products to the customers' final destination and is recognized when the shipping services take place. Installation activities include installation of our products at the customers' construction sites. Installation revenue results when attaching architectural and SlenderWall panels to a building, installing an Easi-Set® building at customers' sites or setting any of our other precast products at a site specific to the requirements of the owner. Shipping and installation revenue increased for the three month period ended September 30, 2018, compared to the same period in 2017. The increase is due to shipping and installation associated with SlenderWall projects and expanded installation services through barrier rentals. Shipping and installation revenue decreased for the nine month period ended September 30, 2018, compared to the same period in 2017. The decrease resulted from minimal installation in the first quarter of 2018, mainly deriving from previously produced SlenderWall projects that were shipped and installed during the same period in 2017. The Company expects to expand shipping and installation services through additional products such as barrier and barrier rental. Management expects shipping and installation to increase through the end of 2018, although no assurance can be given.

Cost of Goods Sold - Total cost of goods sold for the three months ended September 30, 2018 decreased by $1,352 , or 16%, from the same period in 2017. Total cost of goods sold, as a percentage of total revenue, not including royalties, was 77% for the three months ended September 30, 2018 , an increase from 75% for the same period in 2017. The increase in cost of goods sold as a percentage of revenue, not including royalties, for the third quarter of 2018, compared to the same period in 2017, is mainly due to decreased margins at the Columbia, South Carolina plant. Total cost of goods sold for the nine months ended September 30, 2018 decreased by $853 , or 3%, from the same period in 2017. Total cost of goods sold, as a percentage of total revenue, not including royalties, was 79% for the nine months ended June 30, 2018, an increase from 74% for the same period in 2017. The increase in cost of goods sold as a percentage of revenue, not including royalties, for the first nine months of 2018, compared to the same period in 2017, is mainly due to a short-term, high risk special project which occurred in the first quarter 2017 that had higher margins than typical manufacturing. The increase also resulted from design issues on soundwall projects at the Columbia, South Carolina plant, which required the Company to incorporate more steel than estimated in the projects and also increased the associated direct labor. The Company has corrected these design issues on future bids, but is still in negotiations to rectify the current contracts through change orders. Use tax associated with SlenderWall sales has also been reclassified to cost of goods sold from general and administrative expenses to better reflect cost allocation. The Company expects raw material prices to continue to increase through the remainder of 2018. The Company continues to seek vendor pricing opportunities, and focuses on lean production methods to create capacity and eliminate process waste, while driving value to the customer.

General and Administrative Expenses - For the three months ended September 30, 2018 the Company's general and administrative expenses decreased by $78, or 6%, to $1,305 from $1,383 during the same period in 2017. The decreased general and administrative expenses for the three month period ended September 30, 2018 is mainly attributed to an decrease in profit sharing accruals as compared to the same period in 2017. For the nine months ended September 30, 2018 the Company's general and administrative expenses increased by $219, or 6%, to $4,059 from $3,840 during the same period in 2017. The increased general and administrative expenses for the nine month period ended September 30, 2018 is mainly attributed to an increase in salaries and insurance related costs. General and administrative expense as a percentage of total revenue was 14% and 12% for the nine months ended September 30, 2018 and 2017, respectively. The percentage increase is due to the deferred revenue not recognized on the buy-back guarantee contract. The total unrecognized compensation cost related to non-vested restricted stock is approximately $316 as of September 30, 2018. Use tax associated with SlenderWall sales has also been reclassified to cost of goods sold from general and administrative expenses to better reflect cost allocation.

Selling Expenses - Selling expenses for the three months ended September 30, 2018 increased to $624 from $564 for the same period in 2017, or 5%. The increase was mainly due to an increase in salaries for the period. Selling expenses for the nine months ended September 30, 2018 increased to $1,913 from $1,825 for the same period in 2017, or 11%. The increase in sales expense for the nine month period was mainly related to an increase in salaries and advertising expenses. As the Company grows, additional selling expenses will be incurred. Management expects selling expenses to increase in 2018 as compared to 2017.

Operating Income - The Company had operating income for the three month period ended September 30, 2018 of $664, compared to operating income of $1,231 for the same period in 2017. The decrease in operating income for the three month period ended September 30, 2018 compared to the same period in 2017, was primarily due to the deferred revenue on the guaranteed buy-back agreement not being recognized as revenue for the quarter. The Company had operating income for the nine month period ended September 30, 2018 of $1,022, compared to operating income of $3,680 for the same period in 2017. The decrease in operating income for nine month period ended September 30, 2018, compared to the same period in 2017, was primarily due to the deferred revenue on the guaranteed buy-back agreement not being recognized as revenue, and the higher margin special project, which occurred in the first quarter 2017.

Interest Expense - Interest expense was $44 for both three month periods ended September 30, 2018 and 2017. Interest expense was $135 for both nine month periods ended September 30, 2018 and 2017. Although the Company added two small loans at the end of the first quarter 2018, larger loan balances continue to be paid down and are towards the end of the loan periods.

Income Tax Expense - The Company had an income tax expense of $172 with an effective rate of 25% for the three months ended September 30, 2018 , compared to income tax expense of $474 with an effective rate of 39% for the same period in 2017. The Company had an income tax expense of $262 with an effective rate of 25% for the nine months ended September 30, 2018, compared to income tax expense of $1,323 with an effective rate of 36% for the same period in 2017.The change in tax rate is due to adoption of the Tax Cuts and Jobs Act during December 2017, which lowered the Federal tax rate from 34% to 21% prospectively.

Net Income - The Company had net income of $520 for the three months ended September 30, 2018 , compared to net income of $748 for the same period in 2017. The basic and diluted income per share was $0.10 for the three months ended September 30, 2018 , and the basic and diluted income per share was $0.15 for the three months ended September 30, 2017 . The Company had net income of $790 for the nine months ended September 30, 2018, compared to net income of $2,317 for the same period in 2017. The basic and diluted income per share was $0.16 and $0.15 for the nine months ended September 30, 2018, respectively, and the basic and diluted income per share was $0.46 for the nine months ended September 30, 2017.

Liquidity and Capital Resources (dollar amounts in thousands)

The Company financed its capital expenditures and operating requirements for the nine months of 2018 primarily from cash balances and notes payable to a bank. The Company had $3,403 of debt obligations at September 30, 2018, of which $659 was scheduled to mature within twelve months. During the nine months ended September 30, 2018, the Company made repayments of outstanding debt in the amount of $479 and received $350 in proceeds of borrowings for the financing of two yard cranes.

The Company has a mortgage note payable to Summit Community Bank (the “Bank”) with a balance of $ 870 as of September 30, 2018. The note has a maturity date of September 20, 2021 and a fixed interest rate of 3.99% annually with monthly payments of $26 and is secured by principally all of the assets of the Company. Under the terms of the note, the Bank will permit chattel mortgages on purchased equipment not to exceed $250 for any one individual loan so long as the Company is not in default.

The Company has a mortgage note payable to the Bank for the the purchase of the Columbia, South Carolina facility. Such loan is evidenced by a promissory note, dated July 19, 2016. The note provides for a 15 year term, a fixed annual interest rate of 5.29%, monthly fixed payments of $11 and a security interest in favor of the Bank in respect of the land, building and fixtures purchased with the proceeds of the loan. The balance of the loan at September 30, 2018 was $1,188.

The Company additionally has 15 smaller installment loans with annual interest rates between 2.94% and 5.29% and varying balances totaling $1,345.

Under the loan agreement with the Bank, the Company is limited to annual capital expenditures of $3,500. The Company is in compliance with all covenants pursuant to the loan agreements.

The Company has a $4,000 line of credit increased from $2,000 previously, secured by accounts receivable and inventory. In addition, the Company has a commitment from the Bank in the amount of $1,500 for an equipment line of credit. Neither line of credit carried a balance at September 30, 2018. Both lines were recently renewed extending the maturity date on the $4,000 line of credit to October 1, 2019 and the $1,500 line of credit to November 28, 2019.

At September 30, 2018, the Company had cash and cash equivalents totaling $2,687 and $1,094 of investment securities, compared to cash and cash equivalents totaling $3,390 and $1,098 of investment securities at December 31, 2017. Investment securities at September 30, 2018 consist of shares of USVAX (a Virginia Bond Fund). The decrease in cash is primarily the result of the increase in accounts receivable and a decrease in accounts payable at September 30, 2018 as compared to December 31, 2017, with the increase in accounts receivable due to an increase in retainage on several large projects. The purchase of capital assets and the repayment of notes payable were also factors in the decrease of cash and cash equivalents.

Capital spending for the nine months ended September 30, 2018 totaled $1,737, as compared to $2,569 for the same period in 2017. The 2018 expenditures were for new yard cranes and miscellaneous manufacturing equipment. The Company plans to make additional capital purchases of approximately $1,000 over the remainder of the year, excluding any plant expansions. The additional 2018 expenditures are expected to be for rental barrier, land improvements, and miscellaneous manufacturing equipment.

The Company reclassified the Deferred buy-back lease asset under investing activities from operating activities on the condensed consolidated statement of cash flows as it pertains to the accounting treatment under Topic 840 Leases. The Deferred buy-back lease asset is excluded from the capital expenditure limitations in the loan agreements with the Bank.

The Company received approval from the Bank for the financing of the North Carolina expansion and for additional land expansions at the Virginia manufacturing plant. The expansions are excluded from the capital expenditure limitations in the loan agreements with the Bank. Both projects began in the third quarter 2018. See "North Carolina Plant Expansion" below.

The Company's two mortgage notes payable are financed at fixed rates of interest. This leaves the Company almost impervious to fluctuating interest rates. Increases in such rates will only slightly affect the interest paid by the Company on an annual basis. Approximately 95% of the Company's debt obligations are financed at a fixed interest rate so that each 1% increase in the interest rates of the Company’s outstanding debt will reduce income by approximately $2 annually.

The Company's cash flow from operations is affected by production schedules set by contractors, which generally provide for payment 35 to 90 days after the products are produced and with some architectural contracts, retainage may be held until the entire project is completed. This payment schedule may result in liquidity problems for the Company because it must bear a portion of the cost of production before it receives payment from its customers. The Company's average days sales outstanding (DSO), excluding the effect of unbilled revenue, was 76 days for the nine months ended September 30, 2018 compared to 75 days for the year ended December 31, 2017. The increase in DSO is mainly due to retainage being withheld on multiple large projects. Although no assurances can be given, the Company believes that anticipated cash flow from operations and the availability under the lines of credits will be sufficient to finance the Company's operations for at least the next 12 months.

The Company's inventory was $3,262 at September 30, 2018 and $3,515 at December 31, 2017, or a decrease of $253. The decrease in inventory is due to sales of finished goods on hand at December 31, 2017. Inventory turnover was 12.3, annualized for the nine months ended September 30, 2018 , compared to 11.4 for the same period in 2017.

In respect to the treatment of the buy-back agreement with one specific customer, the Statement of Cash Flows for the nine months ended September 30, 2018 treated the change in "Deferred buy-back lease obligation, net" as an addition to cash within "Cash flows from operating activities", whereby the offsetting "Deferred buy-back lease asset" was treated as a reduction of cash within "Cash flows from investing activities", and the depreciation related to the asset is treated as an increase in non-cash "Depreciation and amortization" within "Cash flows from operating activities".

Critical Accounting Policies and Estimates

The Company’s critical accounting policies are more fully described in its Summary of Accounting Policies to the Company’s consolidated financial statements on Form 10-K for the year ended December 31, 2017. There have been no changes as of September 30, 2018.

Seasonality

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

Inflation

Raw material costs for the Company, cement, steel, aggregates, and other direct materials used in production have increased for the first nine months of 2018. Steel tariffs have impacted pricing, as the demand for steel has also increased. The Company anticipates raw material prices will continue to increase over the remainder of 2018, although no assurance can be given regarding future pricing.

Sales Backlog

As of November 5, 2018, the Company’s sales backlog was approximately $31.0 million, as compared to approximately $21.7 million at the same time in 2017. It is estimated that majority of the projects in the sales backlog will be produced within 12 months, with a portion extending several years.

North Carolina Plant Expansion

The Company currently owns 46 acres on which it is in the process of building a 15,000 square foot manufacturing plant with additional space for future expansion. This expansion is estimated to cost $3.3 million and will increase production and storage capacity. The project will be funded through bank financing. Management expects completion of the new facility by the end of the first quarter 2019 with manufacturing expected to begin during the second quarter 2019 at the new facility. The current North Carolina facility will remain operational during the construction of the new plant, and future use is not determined at this time. There can be no assurance as to the cost, financing, timetable, completion, or success of this project.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

ITEM 4. Controls and Procedures

(a) Disclosure controls and procedures

The Company carried out our evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective at September 30, 2018.

(b) Changes in Internal Control over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the three months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1A. Risk Factors

Not required

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

None

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosures

Not applicable

ITEM 5. Other Information

None

ITEM 6. Exhibits

Exhibit No.	Exhibit Description
10.1	Commitment Letter, dated September 18, 2018, for a line of credit in the amount of $4,000,000 with Summit Community Bank.
10.2	Commitment Letter, dated September 18, 2018, for an equipment line of credit in the amount of $1,500,000 with Summit Community Bank.
10.3	Commercial Line of Credit Agreement and Note, dated October 1, 2018, for a line of credit in the amount of $4,000,000 with Summit Community Bank.
10.4	Commercial Security Agreement, dated October 1, 2018, with Summit Community Bank.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification pursuant 18 U.S.C. Section 1350 as adapted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SMITH-MIDLAND CORPORATION
(Registrant)

Date:	November 13, 2018	By:	/s/ Ashley B. Smith
			Ashley B. Smith, Chief Executive Officer
			(Principal Executive Officer)
Date:	November 13, 2018	By:	/s/ Adam J. Krick
			Adam J. Krick, Chief Financial Officer
			(Principal Financial Officer)

Summit COMMUNITY BANK
www.mysummit.com

Service Beyond Expectations

September 18, 2018

Smith-Midland Corporation
PO Box 300
Midland, VA 22728

To Whom It May Concern;

Summit Community Bank (SCB or Bank) is pleased to offer its commitment to make the following loan to Smith-Midland Corporation (Borrower). This letter does not set forth all the terms and conditions of the loan offered herein. It is only an outline, in summary format, of the major points of understanding which shall be the basis of the final loan documentation (all of which are collectively referred to as the "Loan Documents") which shall be drafted by the Bank. The date on which the last of the loan documents is executed is hereinafter referred to as the "Closing Date".

PURPOSE: Renew and increase an existing Business Line of Credit

BORROWER: Smith-Midland Corporation

LENDER: Summit Community Bank (SCB or Bank)

AMOUNT: Maximum amount of $4,000,000.00

TERMS AND REPAYMENT: Monthly interest payments due for a term of 12 months

INTEREST RATE OPTIONS: The interest rate shall be an adjustable rate subject to change daily with an initial rate of 5.00%. The future rate shall be equal to the Wall Street Journal Prime rate. The interest rate shall never go below 3.99% or above 18%.

All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days.

PREPAYMENT: Prepayment may be made at any time without penalty and in inverse order of maturity.

CLOSING FEES AND EXPENSES: There shall be a loan processing fee of $2,000.00 payable to SCB at loan closing. In addition, Borrower shall pay any and all bank's attorney's and related legal fees, recording fees, documentary, stamps, lender's title insurance premiums, intangible taxes, appraisal fees, surveys (if required) and other costs incurred by Bank in connection with the making, documenting and closing of the loan. SCB shall not be obligated to pay any premium or other charge, or any brokerage fee or commission, in connection with this loan and Borrower's acceptance hereof shall constitute Borrower's further unconditional agreement to pay, and to hold Bank harmless against any and all such claims.

LOAN COVENANTS:

1. Corporate annual (FYE) audited financial statements or 10K within 90 Days of its year-end.
2. Corporate quarterly audited financial statements or 10Q within 45 days after the close of its quarter.

3. Monthly A/R gaining and inventory reports within 30 days of the close of each month
4. Annual capital expenditures exceeding $3,500,000.00 per year must be approved by the bank.
5. Any acquisition must be approved by the bank prior to funding such acquisition.
6. No additional financing by any other lender shall be secured by any lien on the collateral without prior written consent of the bank (except leased equipment).
7. Must maintain a minimum tangible equity of $10.0 Million
8. The cash equity that is injected into the project must be contractually committed until project completion.

It shall, at the Bank's option, constitute an event of default if you are not in compliance with the loan covenants referenced above at the measurement date. Failure to cure this default shall at the Bank's discretion result in a 1% increase in the interest rate on all loan or any other default options available to the Bank.

COLLATERAL: Collateral for this loan is all accounts receivables, all inventory and all equipment now owned by Smith-Midland Corporation and hereafter acquired.

FINANCIAL INFORMATION: During the term of the loan, Borrower shall provide Bank, in form and content acceptable to Bank:

1. Its fiscal year-end internally prepared financial statement as soon as available and in any event within 120 days of Borrower's fiscal year-end.
2. Its tax returns within 30 days of filing and in no event more than 30 days past the date of any extension granted by the IRS.
3. Audited, reviewed or compiled financial statements within 30 days of filing (if available).

It shall, at the Bank's option, constitute an event of default if the financial information referenced above is not submitted timely. Failure to cure this default shall at the Bank's discretion result in a 1% increase in the interest rate on all loan or any other default options available to the Bank.

TRANSFER OF COLLATERAL: In the event title or interest to the properties securing this loan is sold or transferred by the borrower without SCB's prior written consent, the entire balance of the loan shall at the Bank's option become due and payable in full.

LOAN DOCUMENTATION: These loan shall be evidenced by appropriate promissory note(s), deed(s) of trust, security agreement(s), guarantees, loan agreement(s) and other documents as deemed appropriate by the bank and its legal counsel. All documents must be approved, prior to closing, by the Bank and/or its legal counsel. All the terms, provisions and conditions in all such writings must meet with approval of the Bank in its sole and absolute discretion. SCB shall not be responsible to Borrower or any other person or entity for any punitive, exemplary or consequential damages which may be asserted as a result of an alleged breach of this Commitment Letter or the loan documents or arising out of or related to any of the transactions contemplated hereby.

Further, borrower hereby waives right to jury trial in any action, proceeding, or counterclaim (whether based on contract, tort, or otherwise) arising out of or relating to this Commitment Letter of the transaction contemplated hereby, or the actions of Bank in the negotiation, performance or enforcement hereof or thereof.

The Borrower shall execute and deliver to Bank any and all documents Bank deems necessary in connection with this credit facility. The loan Documents shall be in a form acceptable to Bank and its counsel, must be properly executed, and where necessary, recorded or filed in the appropriate office of recordation.

OTHER CONDITIONS:

1. **Deposit Account(s)** – Borrower agrees to establish and maintain its primary operating account(s) with SCB as long as any part of the proposed loan remains outstanding.
2. **Confidentiality** – Borrower shall keep the contents of this letter confidential and shall not use it or its contents as a representation of Borrower's credit worthiness. Third parties are cautioned against relying on the contents hereof in extending credit to Borrower. Borrower may provide a copy of this commitment to its franchisor, current lender, architect, engineer and contractors involved.
3. **Delinquent Real Estate Taxes** – If the bank has to pay real estate taxes at any point in time to protect its collateral position, Borrower acknowledges and accepts that the Bank shall charge an administrative fee of $500 per tax ticket and add that charge to the balance of the loan.
4. **Copy of Organizational Documents and Authorization** – If requested by Bank, Borrower shall furnish a true and complete copy of its Articles of Incorporation, By-laws, Operating Agreement, a Certificate of Incorporation as filed with the Virginia State Corporation Commission, and a Certificate of Good Standing or Existence. Further, the Borrower hereby authorizes Bank to file such UCC Financing Statements describing the collateral in any location deemed necessary and appropriate by Bank in order to ensure that UCC filings are made on or prior to the anticipated Closing Date.
5. **Indemnification by Borrower** – Borrower agrees to indemnify and hold harmless SCB from and against any and all claims, damages, liabilities and expenses which may be incurred by or asserted against the Bank in connection with any proceeding arising out of this commitment or Borrower's use of the proceeds of the Credit.
6. **Assignability** – None. Any approval of the investment in any commitment by SCB are personal to Smith-Midland Corporation and are not assignable or enforceable to any other party unless SCB otherwise agrees in writing.
7. **Basis of Commitment** – The undersigned Borrower acknowledges that this Commitment is based materially upon financial information provided to it by Borrower and others. The undersigned Borrower hereby warrant and represent that such information was true and correct in all material respects when rendered and that no material change has occurred therein through the date of the execution of this Commitment. All material facts relating to the Credit or to the assets, business, profits, prospects or conditions (financial or otherwise) of the Borrower have been disclosed to SCB by Borrower.
8. **Secondary Borrowing** – During the term of this loan, Borrower may not obtain secondary financing secured by a lien on the real property or otherwise without the written consent of SCB. The Bank shall have no obligation to grant such consent.

VOIDABILITY OF COMMITMENT:

This Commitment shall be voidable at the option of the Bank should any of the following events occur:

1. A material adverse change in Borrower's business, or financial condition, or disposal of a material portion of its assets other than in the ordinary course of business.
2. A proceeding is commenced by or against Borrower in any court or under any bankruptcy or insolvency law.

3. A default by Borrower on any other obligation they may have for money borrowed.
4. Any change in management or ownership of Borrower unacceptable to Bank.
5. Should any law or regulation affecting Bank entering into the financing transactions contemplated hereby impose upon Bank any potential obligation, fee, liability, loss, claim, cost, expense, or damage which is not contemplated herein.
6. Any violation or breach by Borrower of the terms of this Commitment.
7. Should the Borrower fail to provide sufficient information to the Bank to permit verification of the identity of the Borrower in accordance with the USA Patriot Act.

FINAL AGREEMENT: This written Commitment represents the final agreement and replaces any proposals between the Borrower and SCB with respect to Bank's agreement to provide this loan and may not be contradicted by evidence or prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties. This Commitment shall be governed by and constructed in accordance with the laws of the State of Virginia.

SURVIVAL OF TERMS: The terms and conditions of this commitment letter shall survive the closing of the loan, provided, however, that if any of the terms and conditions of this commitment letter shall conflict with any of the terms and conditions of the loan documents evidencing or securing the loan, the terms and conditions of the loan documents shall prevail.

ACCEPTANCE AND CLOSING DATE: If this commitment is acceptable, please indicate acceptance by signing and returning this letter. If not accepted by the borrower or extended in writing by SCB, unless otherwise agreed to by the parties this commitment to lend expires 30 days from commitment letter date and must be closed 90 days from commitment letter date.

The terms and conditions of this commitment shall survive closing of this loan and will be incorporated into any additional loan agreement and/or documents that may be prepared.

We are pleased to be able to offer this loan commitment to you and look forward to working with you on this project. If you have any questions, please give me a call at 540-347-7779 or email mmarkham@summitfgi.com. Thank you for choosing Summit Community Bank.

Sincerely,

Margie L Markham

Margie Markham
VP/Commercial Lending
NMLS ID: 745125

Accepted this 25th day of September, 2018

Borrower: Smith-Midland Corporation

By: Ashley B Smith

Ashley B. Smith, President

Summit COMMUNITY BANK
www.mysummit.com

Service Beyond Expectations

September 18, 2018

Smith-Midland Corporation
PO Box 300
Midland, VA 22728

To Whom It May Concern;

Summit Community Bank (SCB or the Bank) is pleased to offer its commitment to make the following loan to Smith-Midland Corporation (Borrower): This letter does not set forth all the terms and conditions of the loan offered herein. Rather, it is only an outline, in summary format, of the major points of understanding which shall be the basis of the final Loan Documentation (all of which are collectively referred to as the Loan Documents) which shall be drafted by the Bank. The date on which the last of the Loan Documents is executed is hereinafter referred to as the "Closing Date".

PURPOSE:	Renew existing Guidance Facility #523569 used to purchase business equipment
BORROWER:	Smith-Midland Corporation
LENDER:	Summit Community Bank (SCB or the Bank)
AMOUNT:	The aggregate amount funded under this Facility shall not exceed $1,500,000.00
MATURITY:	This Facility shall expire on November 28, 2019. Once this Facility matures new loans will not be permitted unless this Facility is renewed.
TERMS AND REPAYMENT:	**1.** Each advance under this Facility will be funded through a separate note and security agreement on the equipment being purchased. **2.** Notes funded under this Facility will have a term of 60 months/5years with principal and interest payments due each month. **3.** An invoice for each purchase must be submitted and loans will be limited to 80% of the cost of the equipment **4.** There will be a $250.00 processing fee for each loan. **5.** A late charge of 5.00% of the payment amount with a minimum of $30.00 and a maximum of $1,000.00 will be assessed if a payment on any of the notes are made more than 7 days after it is due.
INTEREST RATE OPTIONS:	The interest rate on the loans will be equal to the Wall Street Journal Prime rate + .50%. The rate on each note will be fixed at the equivalent of the rate above at the time the note is signed. All interest shall be computed and charged for the actual number of days elapsed on the basis of a year consisting of three hundred sixty (360) days.

PREPAYMENT: Prepayment may be made at any time without penalty and in inverse order of maturity.

CLOSING FEES AND EXPENSES: There shall be a processing fee of $500.00 payable to SCB upon your acceptance of this commitment. In addition, Borrower shall pay any and all bank's attorney's and related legal fees, recording fees, documentary, stamps, lender's title insurance premiums, intangible taxes, appraisal fees, surveys (if required) and other costs incurred by the Bank in connection with the making, documenting and closing of the loans. SCB shall not be obligated to pay any premium or other charge, or any brokerage fee or commission, in connection with this loan and Borrower's acceptance hereof shall constitute Borrower's further unconditional agreement to pay, and to hold the Bank harmless against any and all such claims.

COVENANTS:

1. Corporate annual (FYE) audited financial statements or 10K within 90 days of its year-end.
2. Corporate quarterly audited financial statements or 10Q within 45 days after the close of its quarter.
3. Monthly A/R gaining and inventory reports within 30 days of the close of each month
4. Annual capital expenditures exceeding $3,500,000.00 per year must be approved by the bank.
5. Any acquisition must be approved by the bank prior to funding such acquisition.
6. No additional financing by any other lender shall be secured by any lien on the collateral without prior written consent of the bank (except leased equipment).
7. Must maintain a minimum tangible equity of $10.0 Million.
8. The cash equity that is injected into the project must be contractually committed until project completion.

COLLATERAL: First/1st lien position on equipment purchased.

TRANSFER OF COLLATERAL: In the event title or interest to the property securing each loan is sold or transferred by the borrower without SCB's prior written consent, the entire balance of the loan shall at the Bank's option become due and payable in full.

FINANCIAL INFORMATION: During the term of this Facility, Borrower shall provide SCB, in form and content acceptable to the Bank:

1. Its fiscal year-end internally prepared financial statement as soon as available and in any event within 120 days of Borrower's fiscal year-end.
2. Its tax returns within 30 days of filing and in no event more than 30 days past the date of any extension granted by the IRS.
3. Audited, reviewed or compiled financial statements within 30 days of filing (if available).

It shall, at the Bank's option, constitute an event of default if the financial information referenced above is not submitted timely. Failure to cure this default shall at the Bank's discretion result in a 1% increase in the interest rate on all loans or any other default options available to the Bank.

LOAN DOCUMENTS:

The advances on this Facility shall be evidenced by appropriate promissory note(s), security agreement(s), loan agreement(s) and other documents as deemed appropriate by the bank and its legal counsel. All documents must be approved, prior to closing, by SCB and/or its legal counsel. All the terms, provisions and conditions in all such writings must meet with approval of the Bank in its sole and absolute discretion. SCB shall not be responsible to Borrower or any other person or entity for any punitive, exemplary or consequential damages which may be asserted as a result of an alleged breach of this Commitment Letter or the Loan Documents or arising out of or related to any of the transactions contemplated hereby.

Further, borrower hereby waives right to jury trial in any action, proceeding, or counterclaim (whether based on contract, tort, or otherwise) arising out of or relating to this Commitment Letter of the transaction contemplated hereby, or the actions of Bank in the negotiation, performance or enforcement hereof or thereof.

The Borrower shall execute and deliver to SCB any and all documents the Bank deems necessary in connection with this credit facility. The Loan Documents shall be in a form acceptable to Bank and its counsel, must be properly executed, and where necessary, recorded or filed in the appropriate office of recordation.

CLOSING DOCUMENTS:

Borrower shall deliver to SCB the following documents, each of which must be in form and content satisfactory to the Bank and its counsel in their sole discretion:

1. **Hazard Insurance** - On or before the closing date of the loan, or as determined by SCB, the borrower shall obtain hazard insurance on the subject collateral securing this loan. The amount of insurance shall be in an amount equal to or greater than the value of the collateral with SCB listed as first lien holder and loss payee. This or a comparable policy shall be maintained without lapse during the term of this loan.
2. **Any other documents** - That may be requested by Bank at or prior to the Closing Date.

OTHER CONDITIONS:

1. **Deposit Account(s)** - Borrower agrees to establish and maintain its primary operating account(s) with SCB as long as any part of the proposed loan remains outstanding.
2. **Confidentiality** - Borrower shall keep the contents of this letter confidential and shall not use it or its contents as a representation of Borrower's credit worthiness. Third parties are cautioned against relying on the contents hereof in extending credit to Borrower. Borrower may provide a copy of this commitment to its franchisor, current lender, architect, engineer and contractors involved.
3. **Delinquent Real Estate Taxes** - If the bank has to pay real estate taxes at any point in time to protect its collateral position, Borrower acknowledges and accepts that the Bank shall charge an administrative fee of $500 per tax ticket and add that charge to the balance of the loan.
4. **Copy of Organizational Documents and Authorization** - If requested by Bank, Borrower shall furnish a true and complete copy of its Articles of Incorporation, By-laws, Operating Agreement, a Certificate of Incorporation as filed with the Virginia State Corporation Commission, and a Certificate of Good Standing or Existence. Further, the Borrower hereby authorizes Bank to file such UCC Financing Statements describing the collateral in any location deemed

necessary and appropriate by Bank in order to ensure that UCC filings are made on or prior to the anticipated Closing Date.

5. **Indemnification by Borrower** – Borrower agrees to indemnify and hold harmless SCB from and against any and all claims, damages, liabilities and expenses which may be incurred by or asserted against the Bank in connection with any proceeding arising out of this commitment or Borrower's use of the proceeds of the Credit.
6. **Assignability** – None. Any approval of the investment in any commitment by SCB are personal to Smith-Midland Corporation and are not assignable or enforceable to any other party unless SCB otherwise agrees in writing.
7. **Basis of Commitment** – The undersigned Borrower acknowledges that this Commitment is based materially upon financial information provided to it by Borrower and others. The undersigned Borrower hereby warrant and represent that such information was true and correct in all material respects when rendered and that no material change has occurred therein through the date of the execution of this Commitment. All material facts relating to the Credit or to the assets, business, profits, prospects or conditions (financial or otherwise) of the Borrower have been disclosed to SCB by Borrower.
8. **Secondary Borrowing** – During the term of this loan, Borrower may not obtain secondary financing secured by a lien on the real property or otherwise without the written consent of SCB. The Bank shall have no obligation to grant such consent.

VOIDABILITY OF COMMITMENT:

This Commitment shall be voidable at the option of SCB should any of the following events occur:

1. A material adverse change in Borrower's business, or financial condition, or disposal of a material portion of its assets other than in the ordinary course of business.
2. A proceeding is commenced by or against Borrower in any court or under any bankruptcy or insolvency law.
3. A default by Borrower Guarantor on any other obligation they may have for money borrowed.
4. Any change in management or ownership of Borrower unacceptable to the Bank.
5. Should any law or regulation affecting Bank entering into the financing transactions contemplated hereby impose upon the Bank any potential obligation, fee, liability, loss, claim, cost, expense, or damage which is not contemplated herein.
6. Any violation or breach by Borrower of the terms of this Commitment.
7. Should the Borrower fail to provide sufficient information to the Bank to permit verification of the identity of the Borrower in accordance with the USA Patriot Act.

FINAL AGREEMENT:

This written Commitment represents the final agreement and replaces any proposals between the Borrower and SCB with respect to the Bank's agreement to provide this loan and may not be contradicted by evidence or prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties. This Commitment shall be governed by and constructed in accordance with the laws of the State of Virginia

SURVIVAL OF TERMS: The terms and conditions of this commitment letter shall survive the closing of the loan, provided, however, that if any of the terms and conditions of this commitment letter shall conflict with any of the terms and conditions of the loan documents evidencing or securing the loans, the terms and conditions of the loan documents shall prevail.

ACCEPTANCE AND CLOSING DATE: If this commitment is acceptable, please indicate acceptance by signing and returning this letter. If not accepted by the borrower(s) and guarantors or extended in writing by SCB, unless otherwise agreed to by the parties this commitment to lend expires 30 days from commitment letter date and must be closed in 90 days from commitment letter date.

The terms and conditions of this commitment shall survive closing of this loan and will be incorporated into any additional loan agreement and/or documents that may be prepared.

We are pleased to be able to offer this loan commitment to you and look forward to working with you on this project. If you have any questions, please give me a call at 540-347-7779 or email mmarkham@summitfgi.com. Thank you for choosing Summit Community Bank, we appreciate your business.

Sincerely,

Margie L Markham

Margie Markham
VP/Commercial Lending
NMLS ID: 745125

Accepted this 25th day of September, 2018

Borrower: Smith-Midland Corporation

By: ______________________________
Ashley B. Smith, President

COMMERCIAL LINE OF CREDIT
AGREEMENT AND NOTE
Open End

Summit COMMUNITY BANK

310 North Main Street Moorefield, WV 26836
Phone number: (877) 776-9722

LOAN NUMBER	AGREEMENT DATE	LINE OF CREDIT LIMIT	DRAW EXPIRATION DATE	MATURITY DATE
7973472	October 1, 2018	$4,000,000.00	October 1, 2019	October 1, 2019
LOAN PURPOSE: Increase Existing Business Line of Credit				

BORROWER INFORMATION
SMITH-MIDLAND CORPORATION
P O BOX 300
MIDLAND, VA 22728

LINE OF CREDIT AGREEMENT AND NOTE. This Commercial Line of Credit Agreement and Note will be referred to in this document as the "Agreement."

LENDER. "Lender" means Summit Community Bank whose address is 310 North Main Street, Moorefield, West Virginia 26836, its successors and assigns.

BORROWER. "Borrower" means each person or legal entity who signs this Agreement.

PROMISE TO PAY. For value received, receipt of which is hereby acknowledged, on or before the Maturity Date, the Borrower promises to pay the principal amount of Four Million and 00/100 Dollars ($4,000,000.00) or such lesser amount as shall have been advanced by Lender, from time to time, to or on behalf of Borrower under the terms of this Agreement, and all interest on the outstanding principal balance and any other charges, including service charges, to the order of Lender at its office at the address noted above or at such other place as Lender may designate in writing. The Borrower will make all payments in lawful money of the United States of America.

PAYMENT SCHEDULE. This Agreement will be paid according to the following required payment schedule: Beginning on November 1, 2018, monthly payments of accrued and unpaid interest. The unpaid principal balance of this Note, together with all accrued interest and charges owing in connection therewith, shall be due and payable on the Maturity Date. All payments received by the Lender from the Borrower for application to this Agreement may be applied to the Borrower's obligations under this Agreement in such order as determined by the Lender.

INTEREST RATE AND SCHEDULED PAYMENT CHANGES. Interest will begin to accrue on October 1, 2018. The initial variable interest rate on this Agreement will be 5.000% per annum. This interest rate may change on October 26, 2018, and every day thereafter. Each date on which the interest rate may change is called the "Change Date." Beginning with the first Change Date, Lender will calculate the new interest rate based on Prime Rate as published in the Wall Street Journal in effect on the Change Date (the "Index"). The interest rate will never be greater than 18.000% or less than 3.990%.

If the Index is not available at the time of the Change Date, Lender will choose a new Index which is based on comparable information. The Index is used solely to establish a base from which the actual rate of interest payable under the Agreement will be calculated, and is not a reference to any actual rate of interest charged by any lender to any particular borrower.

Nothing contained herein shall be construed as to require the Borrower to pay interest at a greater rate than the maximum allowed by law. If, however, from any circumstances, Borrower pays interest at a greater rate than the maximum allowed by law, the obligation to be fulfilled will be reduced to an amount computed at the highest rate of interest permissible under applicable law and if, for any reason whatsoever, Lender ever receives interest in an amount which would be deemed unlawful under applicable law, such interest shall be automatically applied to amounts owed, in Lender's sole discretion, or as otherwise allowed by applicable law. An increase in the interest rate will result in a higher payment amount. Interest on this Agreement is calculated on an **Actual/360** day basis. This calculation method results in a higher effective interest rate than the numeric interest rate stated in this Agreement.

LATE PAYMENT CHARGE. If any required payment is more than 10 days late, then at Lender's option, Lender will assess a late payment charge of 5.000% of the amount of the regularly scheduled payment then past due, subject to a maximum charge of $1,000.00 and a minimum charge of $30.00.

LINE OF CREDIT TERMS. The advances under this Agreement are discretionary. The Borrower acknowledges and agrees that although the Borrower may from time to time request an advance under this Agreement up to a maximum amount equal to the Line of Credit Limit, the Lender in no way is obligated to make such advance, Lender may at any time, with or without cause, refuse to extend credit, and all advances will be made by Lender in its sole and absolute discretion and subject to the terms and conditions of this Agreement.

Advances.

- Advances under this Agreement may be written.
- The total of any pending advances requested and the unpaid principal amount, at any given time, cannot exceed the Line of Credit Limit.
- All advances made will be charged to a loan account in Borrower's name on Lender's books, and the Lender shall debit such account the amount of each advance made to, and credit to such account the amount of each repayment made by Borrower.

Suspension and Termination. Subject to Lender's right to make any advances under this Agreement in its sole and absolute discretion, advances under this Agreement will be available until the earliest of any date or event described below occurs: (a) The Draw Expiration

Date, (b) the Maturity Date, (c) the date the Line of Credit is cancelled by Borrower, or (d) the date the Line of Credit is cancelled by the Lender due to an occurrence of an Event of Default.

SECURITY TO NOTE. Security (the "Collateral") for this Agreement is granted pursuant to the following security document(s):

- Security Agreement dated October 1, 2018 evidencing security interest in Accounts Receivable, Inventory and Equipment.

RIGHT OF SET-OFF. To the extent permitted by law, Borrower agrees that Lender has the right to set-off any amount due and payable under this Agreement, whether matured or unmatured, against any amount owing by Lender to Borrower including any or all of Borrower's accounts with Lender. This shall include all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. Such right of set-off may be exercised by Lender against Borrower or against any assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of Borrower, or against anyone else claiming through or against Borrower or such assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off has not been exercised by Lender prior to the making, filing or issuance or service upon Lender of, or of notice of, assignment for the benefit of creditors, appointment or application for the appointment of a receiver, or issuance of execution, subpoena or order or warrant. Lender will not be liable for the dishonor of any check when the dishonor occurs because Lender set-off a debt against Borrower's account. Borrower agrees to hold Lender harmless from any claim arising as a result of Lender exercising Lender's right to set-off.

DISHONORED ITEM FEE. If Borrower makes a payment on the loan with a check or preauthorized charge which is later dishonored, a fee in the amount of $32.00 will be charged.

RELATED DOCUMENTS. The words "Related Documents" mean all promissory notes, security agreements, mortgages, deeds of trust, deeds to secure debt, business loan agreements, construction loan agreements, resolutions, guaranties, environmental agreements, subordination agreements, assignments and any other documents or agreements executed in connection with this Agreement whether now or hereafter existing, including any modifications, extensions, substitutions or renewals of any of the foregoing. The Related Documents are hereby made a part of this Agreement by reference thereto, with the same force and effect as if fully set forth herein.

DEFAULT. Upon the occurrence of any one of the following events (each, an "Event of Default" or "default" or "event of default"), Lender's obligations, if any, to make any advances will, at Lender's option, immediately terminate and Lender, at its option, may declare all indebtedness of Borrower to Lender under this Agreement immediately due and payable without further notice of any kind notwithstanding anything to the contrary in this Agreement or any other agreement: (a) Borrower's failure to make any payment on time or in the amount due; (b) any default by Borrower under the terms of this Agreement or any other Related Documents; (c) any default by Borrower under the terms of any other agreement between Lender and Borrower; (d) the death, dissolution, or termination of existence of Borrower or any guarantor; (e) Borrower is not paying Borrower's debts as such debts become due; (f) the commencement of any proceeding under bankruptcy or insolvency laws by or against Borrower or any guarantor or the appointment of a receiver; (g) any default under the terms of any other indebtedness of Borrower to any other creditor; (h) any writ of attachment, garnishment, execution, tax lien or similar instrument is issued against any collateral securing the loan, if any, or any of Borrower's property or any judgment is entered against Borrower or any guarantor; (i) any part of Borrower's business is sold to or merged with any other business, individual, or entity; (j) any representation or warranty made by Borrower to Lender in any of the Related Documents or any financial statement delivered to Lender proves to have been false in any material respect as of the time when made or given; (k) if any guarantor, or any other party to any Related Documents in favor of Lender entered into or delivered in connection with this Agreement terminates, attempts to terminate or defaults under any such Related Documents; (l) Lender has deemed itself insecure or there has been a material adverse change of condition of the financial prospects of Borrower or any collateral securing the obligations owing to Lender by Borrower. Upon the occurrence of an event of default, Lender may pursue any remedy available under any Related Document, at law or in equity.

GENERAL WAIVERS. To the extent permitted by law, the Borrower severally waives any required notice of presentment, demand, acceleration, intent to accelerate, protest and any other notice and defense due to extensions of time or other indulgence by Lender or to any substitution or release of collateral. No failure or delay on the part of Lender, and no course of dealing between Borrower and Lender, shall operate as a waiver of such power or right, nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right.

JOINT AND SEVERAL LIABILITY. If permitted by law, each Borrower executing this Agreement is jointly and severally bound.

SEVERABILITY. If a court of competent jurisdiction determines any term or provision of this Agreement is invalid or prohibited by applicable law, that term or provision will be ineffective to the extent required. Any term or provision that has been determined to be invalid or prohibited will be severed from the rest of this Agreement without invalidating the remainder of either the affected provision or this Agreement.

SURVIVAL. The rights and privileges of the Lender hereunder shall inure to the benefits of its successors and assigns, and this Agreement shall be binding on all heirs, executors, administrators, assigns and successors of Borrower.

ASSIGNABILITY. Lender may assign, pledge or otherwise transfer this Agreement or any of its rights and powers under this Agreement without notice, with all or any of the obligations owing to Lender by Borrower, and in such event the assignee shall have the same rights as if originally named herein in place of Lender. Borrower may not assign this Agreement or any benefit accruing to it hereunder without the express written consent of the Lender.

ORAL AGREEMENTS DISCLAIMER. This Agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

GOVERNING LAW. This Agreement is governed by the laws of the state of Virginia except to the extent that federal law controls.

HEADING AND GENDER. The headings preceding text in this Agreement are for general convenience in identifying subject matter, but have no limiting impact on the text which follows any particular heading. All words used in this Agreement shall be construed to be of such gender or number as the circumstances require.

ATTORNEYS' FEES AND OTHER COSTS. Borrower agrees to pay all of Lender's costs and expenses in connection with the enforcement of this Agreement including, without limitation, reasonable attorneys' fees, to the extent permitted by law.

ADDITIONAL PROVISIONS.

AUTOMATIC PAYMENT. If your account is paid by automatic payment the following will apply. You understand that should regular scheduled debit or transfer date fall on a non-processing date (weekend or federal holiday), the debit or transfer will be made on the first processing day after the scheduled debit or transfer date. I understand that for an adjustable rate mortgage loan, the payment will adjust when the rate changes and that I will be notified of the rate change 30 days in advance. I understand that for a loan that includes escrow that my payment will change as my insurances and taxes increase or decrease. I will be notified of the change 15 days in advance.

DIFFERENCE BETWEEN ANY COMMITMENT LETTER AND NOTE For commercial loans, shall there be any conflict in the terms and conditions of the commitment letter (if any) and the terms and conditions of this note and related documents, then the terms and conditions of this note and related documents shall prevail.

WAIVER OF JURY TRIAL. All parties to this Agreement hereby knowingly and voluntarily waive, to the fullest extent permitted by law, any right to trial by jury of any dispute, whether in contract, tort, or otherwise, arising out of, in connection with, related to, or incidental to the relationship established between them in this Agreement or any other instrument, document or agreement executed or delivered in connection with this Agreement or the Related Documents.

By signing this Agreement, Borrower acknowledges reading, understanding, and agreeing to all its provisions and receipt hereof.

SMITH-MIDLAND CORPORATION

10/1/18

By: ASHLEY B SMITH Date

Its: President/CEO

COMMERCIAL SECURITY AGREEMENT

Summit COMMUNITY BANK

310 North Main Street Moorefield, WV 26836
Phone number: (877) 776-9722

AGREEMENT DATE		
October 1, 2018		

BORROWER INFORMATION
SMITH-MIDLAND CORPORATION
P O BOX 300
MIDLAND, VA 22728

COLLATERAL OWNER INFORMATION

SMITH-MIDLAND CORPORATION
P O BOX 300
MIDLAND, VA 22728

AGREEMENT. For purposes of this document, the term "Agreement" is used when reference is made to this Commercial Security Agreement.

LENDER. "Lender" means Summit Community Bank whose address is 310 North Main Street, Moorefield, West Virginia 26836, its successors and assigns.

DEBTOR. For purposes of this Agreement, "Debtor" refers to any party to this Agreement, whose name and address is recited above, and who executes this Agreement.

SECURITY INTEREST GRANT. Debtor, in consideration of the Obligations to Lender, as defined in the "OBLIGATIONS" provision below, hereby agrees to all of the terms of this Agreement and further hereby specifically grants Lender a continuing security interest in the Collateral as defined in the "DESCRIPTION OF COLLATERAL" provision below. Debtor further grants Lender a security interest in the proceeds of said Collateral; the proceeds of hazard insurance and eminent domain or condemnation awards involving the Collateral; all products of, and accessions to, such Collateral or interests therein; any and all deposits or other sums at any time credited by or due from Lender to Debtor; and any and all instruments, documents, policies, and certificates of insurance, securities, goods, accounts receivable, choses in action, chattel paper, cash, property, and the proceeds thereof (whether or not the same are Collateral or proceeds thereof hereunder), owned by Debtor or in which Debtor has an interest which are now or at any time hereafter in possession or control of Lender, or in transit by mail or carrier to or from Lender, or in possession of any third party acting on Lender's behalf, without regard to whether Lender received the same in pledge, for safekeeping, as agent or otherwise, or whether Lender has conditionally released the same. Debtor's grant of a continuing security interest in the foregoing described Collateral secures to Lender the payment of all loans, advances, and extensions of credit from Lender to Borrower, including all renewals and extensions thereof, and any and all obligations of every kind whatsoever, whether heretofore, now, or hereafter existing or arising between Lender and Borrower and howsoever incurred or evidenced, whether primary, secondary, contingent, or otherwise.

OBLIGATIONS. As used in this Agreement, the term "Obligations" shall mean any and all of Debtor's obligations to Lender, whether they arise under this Agreement or the note, loan agreement, guaranty, or other evidence of debt executed in connection with this Agreement, or under any other mortgage, trust deed, deed of trust, security deed, security agreement, note, lease, instrument, contract, document, or other similar writing heretofore, now, or hereafter executed by the Borrower to Lender, including any renewals, extensions and modifications thereof, and including oral agreements and obligations arising by operation of law. The Obligations shall also include all expenditures that Lender may make under the terms of this Agreement or for the benefit of Borrower or Debtor, all interest, costs, expenses, and attorneys' fees accruing to or incurred by Lender in enforcing the Obligations or in the protection, maintenance, preservation, or liquidation of the Collateral, and any of the foregoing that may arise after the filing of any petition by or against Borrower or Debtor under the Bankruptcy Code, irrespective of whether the obligations do not accrue because of the automatic stay under Bankruptcy Code Section 362 or otherwise.

RELATED DOCUMENTS. The words "Related Documents" mean all promissory notes, security agreements, prior mortgages, prior deeds of trust, prior deeds to secure debt, business loan agreements, construction loan agreements, resolutions, guaranties, environmental agreements, subordination agreements, assignments of leases and rents and any other documents or agreements executed in connection with this Agreement whether now or hereafter existing, including any modifications, extensions, substitutions or renewals of any of the foregoing. The Related Documents are hereby made a part of this Agreement by reference thereto, with the same force and effect as if fully set forth herein.

DESCRIPTION OF COLLATERAL. The collateral covered by this Agreement (the "Collateral") is all of the Debtor's property described below which the Debtor now owns or may hereafter acquire or create and all proceeds and products thereof, whether tangible or intangible, including proceeds of insurance and which may include, but shall not be limited to, any items listed on any schedule or list attached hereto.

Accounts. "Accounts" consist of the Debtor's right to payment of a monetary obligation, whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of; (ii) for services rendered or to be rendered; (iii) for a policy of insurance issued or to be issued; (iv) for a secondary obligation incurred or to be incurred; (v) for energy provided or to be provided; (vi) for the use or hire of a vessel under a charter or other contract; (vii) arising out of the use of a credit card or charge card or information contained on or for use with the card; or (viii) for health-care-insurance receivables.

WARRANTIES. The Debtor warrants the following: Debtor has or will acquire free and clear title to all of the Collateral, unless otherwise provided herein; the security interest granted to the Lender shall be a first security interest unless the Lender specifically agrees otherwise, and the Debtor will defend same to the Lender against the claims and demands of all persons; the Debtor will fully cooperate in placing, perfecting, or maintaining Lender's lien or security interest; the Debtor agrees to take whatever actions requested by Lender to perfect and continue Lender's security interest on the Collateral; the Debtor agrees not to allow or permit any lien, security interest, adverse claim, charge, or encumbrance of any kind against the Collateral or any part thereof, without the Lender's prior written consent; all of the Collateral is located in the state of the Debtor's address specified at the beginning of this Agreement, unless otherwise certified to and agreed to by the Lender, or, alternatively, is in possession of the Lender; the Debtor will not remove or change the location of any Collateral without the Lender's prior written consent; the Debtor will use the Collateral only in the conduct of its own business, in a careful and proper manner; the Debtor will not use the Collateral or permit it to be used for any unlawful purpose; except as otherwise provided in this Agreement with respect to inventory, Debtor will not, without the Lender's prior written consent, sell, assign, transfer, lease, charter, encumber, hypothecate, or dispose of the Collateral, or any part thereof, or any interest therein, nor will Debtor offer to sell, assign, transfer, lease, charter, encumber, hypothecate, or dispose of the Collateral, or any part thereof, or any interest therein; the Debtor will not conduct business under any name other than that given at the beginning of this Agreement, nor change, nor reorganize the type of business entity as described, except upon the prior written approval of the Lender, in which event the Debtor agrees to execute any documentation of whatsoever character or nature demanded by the Lender for filing or recording, at the Debtor's expense, before such change occurs; the information regarding Debtor's state of organization or formation as set forth in the Resolution is correct, and Debtor further warrants that Debtor will not change Debtor's state of organization or formation without Lender's prior written consent and will assist Lender with any changes to any documents, filings, or other records resulting or required therefrom; the Debtor will keep all records of account, documents, evidence of title, and all other documentation regarding its business and the Collateral at the address specified at the beginning of this Agreement, unless notice thereof is given to the Lender at least ten (10) days prior to the change of any address for the keeping of such records; the Debtor will, at all times, maintain the Collateral in good condition and repair and will not sell or remove same except as to inventory in the ordinary course of business; the Debtor is a legally created business entity, as described before, and it has the power, and the person signing is duly authorized, to enter into this Agreement; the execution of this Agreement will not create any breach of any provision of the Debtor's organizational documents (Articles of Incorporation and By-Laws if the Debtor is a corporation, Articles of Organization and Operating Agreement if the Debtor is a limited liability company, or Certificate of Limited Partnership (if applicable) or Partnership Agreement if the Debtor is a partnership), or any other agreement to which the Debtor is or may become a party; all financial information and statements delivered by the Debtor to the Lender to obtain loans and extensions of credit are true and correct and are prepared in accordance with generally accepted accounting principles; there has been no material adverse change in the financial condition of the Debtor since it last submitted any financial information to the Lender; there are no actions or proceedings, including set-off or counterclaim, which are threatened or pending against the Debtor which may result in any material adverse change in the Debtor's financial condition or which might materially affect any of the Debtor's assets; and the Debtor has duly filed all federal, state, municipal, and other governmental tax returns, and has obtained all licenses, permits, and the like which the Debtor is required by law to file or obtain, and all such taxes and fees for such licenses and permits required to be paid, have been paid in full.

ACCOUNTS. As of the time any account becomes subject to the security interest (or pledge or assignment as applicable) granted hereby, Debtor shall be deemed further to have warranted as to each and all of such accounts as follows: (a) each account and all papers and documents relating thereto are genuine and in all respects what they purport to be; (b) each account is valid and subsisting and arises out of a bona fide sale of goods sold and delivered to, or out of and for services theretofore actually rendered by Debtor to, the account debtor named in the account or other bona fide transaction; (c) the amount of the account represented as owing is the correct amount actually and unconditionally owing except for normal cash discounts and is not subject to any setoffs, credits, defenses, or countercharges; and (d) Debtor is the owner thereof free and clear of any charges, liens, security interests; adverse claims, and encumbrances of any and every nature whatsoever.

Lender shall have the right in its own name or in the name of the Debtor, whether before or after default, to require Debtor: (1) to transmit all proceeds of collection of accounts to Lender; (2) to notify any and all account debtors to make payments of the accounts directly to Lender; (3) to demand, collect, receive, receipt for, sue for, compound, and give acquittal for, any and all amounts due or to become due on the accounts and to endorse the name of the Debtor on all commercial paper given in payment or part payment thereof; and (4) in Lender's discretion, to file any claim or take any other action or proceeding that Lender may deem necessary or appropriate to protect and preserve and realize upon the accounts and related Collateral.

Unless and until Lender elects to collect accounts, and the privilege of Debtor to collect accounts is revoked by Lender in writing, Debtor shall continue to collect accounts, account for same to Lender, shall not commingle the proceeds of collections of accounts with any funds of the Debtor, and shall deposit such proceeds in an account with Lender. In order to assure collection of accounts in which Lender has an interest hereunder, Lender may notify the post office authorities to change the address for delivery of mail addressed to Debtor to such address as Lender may designate, open and dispose of such mail, and receive the collections of accounts included therewith. Lender shall have no duty or obligation whatsoever to collect any account or to take any other action or preserve or protect the Collateral; however, should Lender elect to collect any account or take possession of the Collateral, Debtor releases Lender from any claim or claims for loss or damage arising from any act or omission in connection therewith, and costs of collection incurred by Lender shall be an obligation secured hereby and constitute a portion of the Obligations.

Upon request by Lender, whether before or after default, Debtor shall take such action and execute and deliver such documents as Lender may reasonably request in order to identify, confirm, mark, segregate, and assign accounts and to evidence Lender's interest in same. Without limiting the foregoing Debtor, upon request, agrees to assign accounts to Lender, identify and mark accounts as being subject to the security interest for pledge (or assignment as applicable) granted hereby, mark Debtor's books and records to reflect such assignments, and forthwith to transmit to Lender in the form as received by Debtor any and all proceeds of collection of such accounts.

Debtor will deliver to Lender, prior to the 10th day of each month, or with such other frequency as Lender may request, a written report in form and content satisfactory to Lender, showing a listing and aging of accounts and such other information as Lender may request from time to time.

Debtor shall immediately notify Lender of the assertion by any account debtor of any setoff, defense, or claim regarding an account or any other matter adversely affecting an account.

Returned or repossessed goods arising from or relating to any accounts included within the Collateral shall, if requested by Lender, be held separate and apart from any other property. Debtor, on request by Lender, but not less than weekly even though no request has been made, shall report to Lender identifying information with respect to any such goods relating to accounts included in transactions under this Agreement.

ADDITIONAL COLLATERAL. In the event that Lender should, at any time, determine that the Collateral or Lender's security interest in the Collateral is impaired, insufficient, or has declined or may decline in value, or if Lender should deem that payment of the Obligations is insecure, time being of the very essence, then Lender may require, and Debtor agrees to furnish, additional Collateral that is satisfactory to Lender. Lender's request for additional collateral may be oral or in writing delivered by United States mail addressed to Debtor and shall not affect any other subsequent right of the Lender to request additional Collateral.

FINANCING STATEMENT(S) AND LIEN PERFECTION. Lender is authorized to file a conforming financing statement or statements to perfect its security interest in the Collateral, as provided in Revised Article 9, Uniform Commercial Code - Secured Transactions. Debtor agrees to provide such information, supplements, and other documents as Lender may from time to time require to supplement or amend such financing statement filings, in order to comply with applicable state or federal law and to preserve and protect the Lender's rights in the Collateral. The Debtor further grants the Lender a power of attorney to execute any and all documents necessary for the Lender to perfect or maintain perfection of its security interest in the Collateral, and to change or correct any error on any financing statement or any other document necessary for proper placement of a lien on any Collateral which is subject to this Agreement.

RELATIONSHIP TO OTHER AGREEMENTS. This Agreement and the security interests (and pledges and assignments, as applicable) herein granted are in addition to (and not in substitution, novation or discharge of) any and all prior or contemporaneous security agreements, security interest, pledges, assignments, mortgages, liens, rights, titles, or other interests in favor of Lender or assigned to Lender by others in connection with the Obligations. All rights and remedies of Lender in all such agreements are cumulative.

TAXES, LIENS, ETC. The Debtor agrees to pay all taxes, levies, judgments, assessments, and charges of any nature whatsoever relating to the Collateral or to the Debtor's business. If the Debtor fails to pay such taxes or other charges, the Lender, at its sole discretion, may pay such charges on behalf of the Debtor; and all sums so dispensed by the Lender, including reasonable attorneys' fees, court costs, expenses, and other charges relating thereto, shall become a part of the Obligations and shall be payable on demand.

PROTECTION OF COLLATERAL. Debtor agrees that Lender may, at Lender's sole option, whether before or after any event of default, and without prior notice to Debtor, take the following actions to protect Lender's interest in the Collateral: (a) pay for the maintenance, preservation, repair, improvement, or testing of the Collateral; (b) pay any filing, recording, registration, licensing, certification, or other fees and charges related to the Collateral; or (c) take any other action to preserve and protect the Collateral or Lender's rights and remedies under this Agreement, as Lender may deem necessary or appropriate from time to time. Debtor agrees that Lender is not obligated and has no duty whatsoever to take the foregoing actions. Debtor further agrees to reimburse Lender promptly upon demand for any payment made or any expenses incurred by Lender pursuant to this authorization. Payments and expenditures made by Lender under this authorization shall constitute additional Obligations, shall be secured by this Agreement, and shall bear interest thereon from the date incurred at the maximum rate of interest, including any default rate, if one is provided, as set forth in the notes secured by this obligation.

INFORMATION AND REPORTING. The Debtor agrees to supply to the Lender such financial and other information concerning its affairs and the status of any of its assets as the Lender, from time to time, may reasonably request. The Debtor further agrees to permit the Lender, its employees, and agents, to have access to the Collateral for the purpose of inspecting it, together with all of the Debtor's other physical assets, if any, and to permit the Lender, from time to time, to verify Accounts, if any, as well as to inspect, copy, and to examine the books, records, and files of the Debtor.

CROSS-COLLATERALIZATION. Debtor agrees that any security interest provided in Collateral under this Agreement or any Collateral provided in connection with any and all other indebtedness of Debtor to Lender, whether or not such indebtedness is related by class or claim and whether or not contemplated by the parties at the time of executing each evidence of indebtedness, shall act as Collateral for all said indebtedness. This cross-collateralization provision shall not apply to any Collateral that is/are household goods or a principal dwelling.

DEFAULT. The occurrence of any of the following events shall constitute a default of this Agreement: (a) the non-payment, when due (whether by acceleration of maturity or otherwise), of any amount payable on any of the Obligations or any extension or renewal thereof; (b) the failure to perform any agreement of the Debtor contained herein or in any other agreement Debtor has or may have with Lender; (c) the publication of any statement, representation, or warranty, whether written or oral, by the Debtor to the Lender, which at any time is untrue in any respect as of the date made; (d) the condition that any Debtor becomes insolvent or unable to pay debts as they mature, or makes an assignment for the benefit of the Debtor's creditors, or conveys substantially all of its assets, or in the event of any proceedings instituted by or against any Debtor alleging that such Debtor is insolvent or unable to pay debts as they mature (failure to pay being conclusive evidence of inability to pay); (e) Debtor makes application for appointment of a receiver or any other legal custodian, or in the event that a petition of any kind is filed under the Federal Bankruptcy Code by or against such Debtor and the resulting proceeding is not discharged within thirty days after filing; (f) the entry of any judgment against any Debtor, or the issue of any order of attachment, execution, sequestration, claim and delivery, or other order in the nature of a writ levied against the Collateral; (g) the death of any Debtor who is a natural person, or of any partner of the Debtor which is a partnership; (h) the dissolution, liquidation, suspension of normal business, termination of existence, business failure, merger, or consolidation or transfer of a substantial part of the property of any Debtor which is a corporation, limited liability company, partnership or other non-individual business entity; (i) the Collateral or any part of the Collateral declines in value in excess of normal wear, tear, and depreciation or becomes, in the judgment of Lender, impaired, unsatisfactory, or insufficient in character or value, including but not limited to the filing of a competing financing statement; breach of warranty that the Debtor is the owner of the Collateral free and clear of any encumbrances (other than those encumbrances disclosed by Debtor or otherwise made known to Lender, and which were acceptable to Lender at the time); sale of the Collateral (except in the ordinary course of business) without Lender's express written consent; failure to keep the Collateral insured as provided herein;

failure to allow Lender to inspect the Collateral upon demand or at reasonable time; failure to make prompt payment of taxes on the Collateral; loss, theft, substantial damage, or destruction of the Collateral; and, when Collateral includes inventory, accounts, chattel paper, or instruments, failure of account debtors to pay their obligations in due course; or (j) the Lender in good faith, believes the Debtor's ability to repay the Debtor's indebtedness secured by this Agreement, any Collateral, or the Lender's ability to resort to any Collateral, is or soon will be impaired, time being of the very essence.

REMEDY. Upon the occurrence of an event of default, Lender, at its option, shall be entitled to exercise any one or more of the remedies described in this Agreement, in all documents evidencing the Obligations, in any other agreements executed by or delivered by Debtor for benefit of Lender, in any third-party security agreement, mortgage, pledge, or guaranty relating to the Obligations, in the Uniform Commercial Code of the state in which Lender is located, and all remedies at law and equity, all of which shall be deemed cumulative. The Debtor agrees that, whenever a default exists, all Obligations may (notwithstanding any provision in any other agreement), at the sole option and discretion of the Lender and without demand or notice of any kind, be declared, and thereupon immediately shall become due and payable; and the Lender may exercise, from time to time, any rights and remedies, including the right to immediate possession of the Collateral, available to it under applicable law. The Debtor agrees, in the case of default, to assemble, at its own expense, all Collateral at a convenient place acceptable to the Lender. The Lender shall, in the event of any default, have the right to take possession of and remove the Collateral, with or without process of law, and in doing so, may peacefully enter any premises where the Collateral may be located for such purpose. Debtor waives any right that Debtor may have, in such instance, to a judicial hearing prior to such retaking. The Lender shall have the right to hold any property then in or upon said Collateral at the time of repossession not covered by the security agreement until return is demanded in writing by Debtor. Debtor agrees to pay all reasonable costs of the Lender in connection with the collecting of the Obligations and enforcement of any rights connected with retaking, holding, testing, repairing, improving, selling, leasing, or disposing of the Collateral, or like expenses. These expenses, together with interest thereon from the date incurred until paid by Debtor at the maximum post-default rate stated in the notes secured hereby, which Debtor agrees to pay, shall constitute additional Obligations and shall be secured by and entitled to the benefits of this Agreement. The Lender may sell, lease, or otherwise dispose of the Collateral, by public or private proceedings, for cash or credit, without assumption of credit risk. Unless the Collateral is perishable or threatens to decline speedily in value or of a type customarily sold on a recognized market, Lender will send Debtor reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition will be made. Any notification of intended disposition of the Collateral by the Lender shall be deemed to be reasonable and proper if sent United States mail, postage prepaid, electronic mail, facsimile, overnight delivery or other commercially reasonable means to the Debtor at least ten (10) days before such disposition, and addressed to the Debtor either at the address shown herein or at any other address provided to Lender in writing for the purpose of providing notice. Proceeds received by Lender from disposition of the Collateral may be applied toward Lender's expenses and other obligations in such order or manner as Lender may elect. Debtor shall be entitled to any surplus if one results after lawful application of the proceeds. If the proceeds from a sale of the Collateral are insufficient to extinguish the Obligations of the Debtor hereunder, Debtor shall be liable for a deficiency. Lender shall have the right, whether before or after default, to collect and receipt for, compound, compromise, and settle, and give releases, discharges, and acquittances with respect to, any and all amounts owed by any person or entity with respect to the Collateral. Lender may remedy any default and may waive any default without waiving the default remedied and without waiving any other prior or subsequent default. The rights and remedies of the Lender are cumulative, and the exercise of any one or more of the rights or remedies shall not be deemed an election of rights or remedies or a waiver of any other right or remedy.

FUTURE ADVANCES AND AFTER-ACQUIRED PROPERTY. Future advances may be made at any time by the Lender under this Agreement to the extent allowed by law. The security interest grant contained in this Agreement also applies to any Collateral of the type(s) identified in this Agreement that the Debtor acquires after this Agreement is executed, except that no security interest attaches to after-acquired consumer goods unless the Debtor acquires rights in such goods within 10 days of Lender giving value. In anticipation of future advances by Lender, the Debtor authorizes Lender to file any necessary financing statements to protect Lender's security interest.

EXERCISE OF LENDER'S RIGHTS. Any delay on the part of the Lender in exercising any power, privilege, or right hereunder, or under any other document executed by Debtor to the Lender in connection herewith, shall not operate as a waiver thereof, and no single or partial exercise thereof or any other power, privilege, or right shall preclude other or further exercise thereof. The waiver by the Lender of any default of the Debtor shall not constitute a waiver of subsequent default.

CONTINUING AGREEMENT. This is a continuing agreement and the security interest (and pledge and assignment, as applicable) hereby granted and all of the terms and provisions of this Agreement shall be deemed a continuing agreement and shall remain in full force and effect until the Obligations are paid in full. In the event that Lender should take additional Collateral, or enter into other security agreements, mortgages, guarantees, assignments, or similar documents with respect to the Obligations, or should Lender enter into other such agreements with respect to other obligations of Debtor, such agreements shall not discharge this Agreement, which shall be construed as cumulative and continuing and not alternative and exclusive.

Any attempted revocation or termination shall only be effective if explicitly confirmed in a signed writing issued by Lender to such effect and shall in no way impair or affect any transactions entered into or rights created or liabilities incurred or arising prior to such revocation or termination, as to which this Agreement shall be truly operative until same are repaid and discharged in full. Unless otherwise required by applicable law, Lender shall be under no obligation to issue a termination statement or similar document unless Debtor requests same in writing, and providing further, that all Obligations have been repaid and discharged in full and there are no commitments to make advances, incur any obligations, or otherwise give value.

ABSENCE OF CONDITIONS OF LIABILITY. This Agreement is unconditional. Lender shall not be required to exhaust its remedies against Debtor, other collateral, or guarantors, or pursue any other remedies within Lender's power before being entitled to exercise its remedies hereunder. Lender's rights to the Collateral shall not be altered by the lack of validity or enforceability of the Obligations against Debtor, and this Agreement shall be fully enforceable irrespective of any counterclaim which the Debtor may assert on the underlying debt and notwithstanding any stay, modification, discharge, or extension of Debtor's Obligation arising by virtue of Debtor's insolvency, bankruptcy, or reorganization, whether occurring with or without Lender's consent.

NOTICES. Any notice or demand given by Lender to Debtor in connection with this Agreement, the Collateral, or the Obligations, shall be deemed given and effective upon deposit in the United States mail, postage prepaid, electronic mail, facsimile, overnight delivery or other commercially reasonable means addressed to Debtor at the address designated at the beginning of this Agreement, or such other address as Debtor may provide to Lender in writing from time to time for such purposes. Actual notice to Debtor shall always be effective no matter how such notice is given or received.

WAIVERS. Debtor waives notice of Lender's acceptance of this Agreement, defenses based on suretyship, and to the fullest extent permitted by law, any defense arising as a result of any election by Lender under the Bankruptcy Code or the Uniform Commercial Code. Debtor and any maker, endorser, guarantor, surety, third-party pledgor, and other party executing this Agreement that is liable in any capacity with respect to the Obligations hereby waive demand, notice of intention to accelerate, notice of acceleration, notice of nonpayment, presentment, protest, notice of dishonor, and any other similar notice whatsoever.

WAIVER OF JURY TRIAL. All parties to this Agreement hereby knowingly and voluntarily waive, to the fullest extent permitted by law, any right to trial by jury of any dispute, whether in contract, tort, or otherwise, arising out of, in connection with, related to, or incidental to the relationship established between them in this Agreement or any other instrument, document or agreement executed or delivered in connection with this Agreement or the Related Documents.

JOINT AND SEVERAL LIABILITY. To the extent permitted by law, each Debtor executing this Agreement is jointly and severally bound.

SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law; but, in the event any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity and shall be severed from the rest of this Agreement without invalidating the remainder of such provision or the remaining provisions of this Agreement.

SURVIVAL. The rights and privileges of the Lender hereunder shall inure to the benefits of its successors and assigns, and this Agreement shall be binding on all heirs, executors, administrators, assigns, and successors of Debtor.

ASSIGNABILITY. Lender may assign, pledge, or otherwise transfer this Agreement or any of its rights and powers under this Agreement without notice, with all or any of the Obligations, and in such event the assignee shall have the same rights as if originally named herein in place of Lender. Debtor may not assign this Agreement or any benefit accruing to it hereunder without the express written consent of the Lender.

GOVERNING LAW. This Agreement has been delivered in the State of Virginia and shall be construed in accordance with the laws of that state.

HEADINGS AND GENDER. The headings preceding text in this Agreement are for general convenience in identifying subject matter, but have no limiting impact on the text which follows any particular heading. All words used in this Agreement shall be construed to be of such gender or number as the circumstances require.

MISCELLANEOUS. Time is of the essence of this Agreement. Except as otherwise defined in this Agreement, all terms herein shall have the meanings provided by the Uniform Commercial Code as it has been adopted in the state of Virginia. All rights, remedies, and powers of the Lender hereunder are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all rights, remedies, and powers given hereunder or in or by any other instruments or by the provision of the Uniform Commercial Code as adopted in the state where the Lender is located, or any other laws, now existing or hereafter enacted. The Debtor specifically agrees that, if it has heretofore or hereafter executed any loan agreement in conjunction with the Agreement, any ambiguities between this Agreement and any such loan agreement shall be construed under the provisions of the loan agreement, to the extent that it may be necessary to eliminate any such ambiguity. Debtor releases Lender from any liability which might otherwise exist for any act or omission of Lender related to the collection of any debt secured by this Agreement or the disposal of any Collateral, except for the Lender's willful misconduct.

ORAL AGREEMENTS DISCLAIMER. This Agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

ACKNOWLEDGMENT. Debtor acknowledges agreeing to all of the provisions in this Agreement, and further acknowledges receipt of a true and complete copy of this Agreement.

IN WITNESS WHEREOF, Debtor has executed this Agreement on the date and year shown below.

SMITH-MIDLAND CORPORATION

10/1/18

By: ASHLEY B SMITH   Date
Its: President/CEO

CERTIFICATIONS

I, Ashley B. Smith, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2018

By: /s/ Ashley B. Smith
Ashley B. Smith
Chief Executive Officer and President
(principal executive officer)

CERTIFICATIONS

I, Adam J. Krick, certify that:

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

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for registrant and have:

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2018

By: /s/ Adam J. Krick

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

Exhibit 32.1

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

In connection with the Quarterly Report of Smith-Midland Corporation (the “Company”) on Form 10-Q for the quarter ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Ashley B. Smith and Adam J. Krick, Chief Executive Officer and Chief Financial Officer of the Company, respectively, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Ashley B. Smith
Ashley B. Smith
Chief Executive Officer and President
(principal executive officer)

By: /s/ Adam J. Krick
Adam J. Krick
Chief Financial Officer
(principal financial officer)

Dated: November 13, 2018