SMITH MIDLAND CORP
Form 10-K
March 28, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2015
or
¨Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Commission File Number 1-13752
Smith-Midland Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware	54-1727060
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer) Identification No.)

P.O. Box 300, 5119 Catlett Road
Midland, Virginia 22728
(Address of Principal Executive Offices, Zip Code)
(540) 439-3266
(Registrant's Telephone Number, Including Area Code)
Securities Registered Under Section 12(b) of the Act: None
Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, $.01 par value per share
(Title of Class)
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.Yes o No x
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 x No o
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 x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (check one)

Large Accelerated Filer	o	Accelerated filer	o
Non-accelerated Filer	o	Smaller reporting company	x

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

The aggregate market value of the shares of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity as of June 30, 2015 (the last business day of the Company's most recently completed second fiscal quarter) was $8,927,692. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors, officers and holders of 10% or more of the Company's common stock.

As of March 4, 2016, the Company had outstanding 4,919,548 shares of Common Stock, $.01 par value per share, net of treasury shares.

Documents Incorporated By Reference

None

FORWARD-LOOKING STATEMENTS

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

- no assurance of profitable operations; in this respect, while the Company reported net income for the year ended December 31, 2015, it reported a net loss for the year ended December 31, 2014,
- while the level of our indebtedness is decreasing, the 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,
- adverse weather which inhibits the demand for our products,
- our compliance with governmental regulations,
- the outcome of future litigation,
- on material construction projects, our ability to produce and install product that conforms to contract specifications and in a time frame that meets the contract requirements,
- the cyclical nature of the construction industry,
- our exposure to increased interest expense payments should interest rates change,
- the Company’s Board of Directors, which is composed of four members, has only one outside, independent director, and
- the other factors and information disclosed and discussed in other sections of this report.

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

PART I

Item 1 Business

General

Smith-Midland Corporation (the "Company") invents, develops, manufactures, markets, leases, licenses, sells, and installs a broad array of precast concrete products for use primarily in the construction, highway, utilities and farming industries through its five wholly-owned subsidiaries. The Company's precast and barrier rental customers are primarily general contractors and federal, state, and local transportation authorities located in the Mid-Atlantic, Northeastern, Midwestern and Southeastern regions of the United States. The Company's operating strategy has involved producing innovative and proprietary products, including SlenderWall™, a patented, lightweight, energy efficient concrete and steel exterior wall panel for use in building construction; J-J Hooks® Highway Safety Barrier, a patented, positive-connected highway safety barrier; SoftSound™, a proprietary sound absorptive finish used on the face of sound barriers to absorb some of the traffic noise; Sierra Wall™, a sound barrier primarily for roadside use; Easi-Set™ and Easi-Span™ transportable concrete buildings with patented features; and Beach Prisms™ erosion mitigating modules. In addition, the Company's precast subsidiaries produce farm products such as cattleguards and water and feed troughs as well as custom order precast concrete products with various architectural surfaces, as well as generic highway sound barriers, retaining walls and utility vaults.

The Company was incorporated in Delaware on August 2, 1994. Prior to a corporate reorganization completed in October 1994, the Company conducted its business primarily through Smith-Midland Virginia, which was incorporated in 1960 as Smith Cattleguard Company, a Virginia corporation, and which subsequently changed its name to Smith-Midland Corporation in 1985. The Company's principal offices are located at 5119 Catlett Road, Midland, Virginia 22728 and its telephone number is 540-439-3266. As used in this report, unless the context otherwise requires, the term the "Company" refers to Smith-Midland Corporation and its subsidiaries. The Company's wholly owned subsidiaries consist of Smith-Midland Corporation, a Virginia corporation; Smith-Carolina Corporation, a North Carolina corporation; Easi-Set Industries, Inc., a Virginia corporation; Concrete Safety Systems, Inc., a Virginia corporation; and Midland Advertising and Design, Inc., a Virginia corporation doing business as Midland Advertising + Design.

Market

The Company's precast and barrier rental market primarily consists of general contractors performing public and private construction contracts, including the construction of commercial buildings, public and private roads and highways, and airports, municipal utilities, and federal, state, and local transportation authorities, primarily located in the Mid-Atlantic, Northeastern, Midwestern and Southeastern states. Due to the lightweight characteristics of the SlenderWall™ exterior cladding system, the Company has expanded its competitive services outside of the Mid-Atlantic states. The Company's licensing subsidiary licenses its proprietary products to precast concrete manufacturers nationwide and internationally in Canada, Belgium, New Zealand, Australia, Mexico, Trinidad, Spain, and Chile.

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

Products

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

Easi-Set SlenderWall™ Lightweight Construction Panels

The SlenderWall™ system is a prefabricated, energy-efficient, lightweight exterior cladding system that is offered as a cost-effective alternative to the traditional cladding used for the exterior walls of buildings. The Company's SlenderWall system combines the essential components of a wall system into a single panel ready for interior dry wall mounting immediately upon installation. The base components of each SlenderWall™ panel consists of a galvanized or stainless steel stud frame with an exterior surface of approximately two-inch thick, PVA fiber reinforced, high-density, precast concrete (with integral water repellent) and various architectural surfaces. The exterior architectural concrete facing is attached to the interior steel frame by use of coated stainless steel headed anchors that position the exterior concrete approximately one-half inch away from the steel frame.

SlenderWall™ panels are approximately one-third the weight of traditional precast concrete walls of equivalent size, permanence and durability, and are also significantly improved as to permanence and durability. The lighter weight translates into reduced construction costs resulting from less onerous structural and foundation requirements as well as lower shipping costs. Additional savings result from reduced installation time and ease of erection and from the use of smaller cranes for installation. Closed-cell foam insulation and windows can be plant-installed further reducing cost and construction schedules.

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

Easi-Set Sierra Wall™

The Easi-Set Sierra Wall™ ("Sierra Wall") combines the strength and durability of precast concrete with a variety of finishes to provide an effective and attractive sound and sight barrier for use alongside highways around residential, industrial, and commercial properties. With additional reinforcement, Sierra Wall™ can also be used as a retaining wall to retain earth in both highway and residential construction. Sierra Wall™ is typically constructed of four-inch thick, steel-reinforced concrete panels with an integral column creating a tongue and groove connection system. This tongue and groove connection system and its foundation connection make Sierra Wall™ easy to install and move if boundaries change or highways are relocated after the completion of a project. The newly patented Sierra Wall II one-piece extended post and panel design reduces installation time and cost.

The Company custom designs and manufactures Sierra Wall™ components to conform to the specifications provided by the contractor. The width, height, strength, and exterior finish of each wall varies depending upon the terrain and application. The Company also produces generic post and panel design sound barrier wall systems. These systems are constructed of steel or precast concrete columns (the Company manufactures the prestressed columns) with precast concrete panels which slide down into the groove in each column.

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

Easi-Set J-J Hooks® Highway Safety Barrier

The Easi-Set J-J Hooks® highway safety barriers (the "J-J Hooks Barriers") are crash-tested (privately funded), positively connected, safety barriers that the Company sells, rents, delivers, installs and licenses for use on roadways to separate lanes of traffic, either temporarily (free-standing, bolted, or pinned) for construction work zone purposes or permanently for traffic control. Barriers are deemed to be positively connected when the connectors on each end of the barrier sections are interlocked with one another. J-J Hooks Barriers interlock without the need for a separate locking device. The primary advantage of a positive connection is that a barrier with such a connection can withstand vehicle crashes at higher speeds without separating. The Federal Highway Administration (the "FHWA") requires that states use only positively connected barriers, which meet NCHRP-350 or MASH crash test requirements. J-J Hooks Barriers meet NCHRP-350 and MASH TL3 requirements and are approved by the FHWA. In November 2009, the Company was issued a patent which contains deflection limitation blocks which improve the J-J Hooks connection performance and has a patent pending on the bolt pocket steel reinforcement.

The Company has received “design protection” of the “end taper” on each end of the barrier sections and the “J-Hook” in the United States, Canada, Australia and New Zealand. If successful, these features cannot be copied by others. The United States has issued a "trade dress" registration for the "end taper" design feature.

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

The Company believes that the J-J Hooks Barrier connection design is superior to those of earlier highway safety barriers that were positively connected through the "eye and pin" technique. Barriers incorporating this technique have eyes or loops protruding from each end of the barrier, which must be aligned during the setting process. Once set, a crew inserts pins or long bolts through the eyes which connects and bolts the barrier sections together. Compared to this technique, the J-J Hooks Barriers are easier and faster to install and remove, requires a smaller crew, and eliminates the need for loose hardware to make the connection.

In November 1990, the FHWA approved the free-standing J-J Hooks Barrier and in December 2012 the pinned and bolted J-J Hooks for use on federally aided highway projects following the successful completion of crash testing based on criteria from the National Cooperative Highway Research Program and from the Manual for Assessing Safety Hardware.

J-J Hooks free-standing barrier has been approved for use on state and federally funded projects by 42 states, plus Washington, D.C. The Company is in various stages of the application process in additional states and believes that approval in some of the states will be granted; however no assurance can be given that approval will be received from any or all of the remaining states or that such approval will result in the J-J Hooks Barrier being used in such states. In addition, J-J Hooks Barrier has been approved by the appropriate authorities for use in the countries of Canada (Alberta, Nova Scotia, New Brunswick and Ontario), Australia, New Zealand, Spain, Portugal, Belgium, Germany and Chile.

J-J Hooks anchored (pinned or bolted) barrier successfully passed the MASH TL3 tests in August of 2012 and received FHWA Eligibility Letters in December 2012. Currently 21 states have approved the MASH barrier as an alternate to their state standard. In Canada, the province of Alberta has approved the MASH tested barrier.

Easi-Set Precast Building and Easi-Span™ Expandable Precast Building

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

The Company also offers Easi-Span™, a line of expandable precast concrete buildings. Easi-Span™ incorporates the technology of the Easi-Set Buildings, but are available in larger sizes and, through its modular construction, can be combined in varied configurations to permit expansion capabilities. Since these larger buildings have less competition from other materials and methods, they produce higher profit margins. Both the Easi-Span and Easi-Set Buildings offer lines of fully-outfitted restrooms with over a dozen standard models.

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

- Communications Operations — to house fiber optics regenerators, switching stations and microwave transmission shelters, cellular phone sites, and cable television repeater stations.
- Government Applications — to federal, state and local authorities for uses such as weather and pollution monitoring stations; military storage, housing and operations; park vending enclosures; rest rooms; kiosks; traffic control systems; school maintenance and athletic storage; airport lighting control and transmitter housing; and law enforcement evidence and ammunition storage.

- o Utilities Installations — for electrical switching stations and transformer housing, gas control shelters and valve enclosures, water and sewage pumping stations, and storage of contaminated substances or flammable materials which require spill containment.
- o Commercial and Industrial Locations — for electrical and mechanical housing, cemetery maintenance storage, golf course vending enclosures, mechanical rooms, rest rooms, emergency generator shelters, gate houses, automobile garages, hazardous materials storage, food or bottle storage, animal shelters, and range houses.

Easi-Set Utility Vault

The Company produces a line of precast concrete underground utility vaults ranging in size from 27 to 1,008 cubic feet. Each Easi-Set utility vault normally comes with a manhole opening on the top for ingress and egress and openings around the perimeter, in accordance with the customer's specifications, to access water and gas pipes, electrical power lines, telecommunications cables, or other such media of transfer. The utility vaults may be used to house equipment such as cable, telephone or traffic signal equipment, and for underground storage. The Company also manufactures custom-built utility vaults for special needs.

SoftSound™ Soundwall Panels

SoftSound™ soundwall panels, recently developed by the Company, utilize a “wood aggregate” sound absorptive material applied to the face of soundwall panels, which is used to absorb highway noise. SoftSound™ is a proprietary product developed and tested by the Company and is currently approved for use in Virginia, Maryland, seven additional states, and the provinces of Ontario and Quebec, Canada. Approvals are pending in a number of additional states. The Company introduced this product line into its licensing program and is in the process of seeking to obtain approvals in all 50 states and the Canadian Provinces.

Beach Prisms™ Erosion Control Modules

In 2006, the Company began production and launched full-scale advertising and promotional efforts for its product, Beach Prisms™, a shoreline erosion control product that uses the preferred natural "soft" approach as opposed to the "hard" approach of seawalls and jetties, to solve this worldwide problem. This product is expected to provide a higher margin than many of the Company’s other product lines. Beach Prisms™ work by reducing the amount of energy in incoming waves before the waves reach the shoreline. Waves pass through the specially designed slots in the triangular 3 - 4 foot tall by 10 foot long Beach Prisms™ modules. The success of a Beach Prisms ™ installation is dependent on the prevailing wind in relation to the shoreline, the tides, the fetch and the availability of sand in the surf. Beach Prisms™ are primarily for river- and bay-front property owners who want an alternative to traditional armor stone, or groins and jetties. The Company applied for “design protection” in the United States for the Beach Prisms™ in 2009 and received that protection in July 2010.

The Company currently has orders and is also accepting new orders with deposits for the Beach Prism product, and the Company is working with the states of Virginia and Maryland to secure approval of each state’s environmental agency. Each project must apply for approval by the appropriate state to obtain a permit to install the Beach Prism. Such approvals are meeting resistance from the environmental agencies, however, the Company believes approval is forthcoming. In the event that approvals are not timely received, psnxinv odxsdz my be cancelled. In 2011, the Company installed its first Beach Prism protection on Virginia's Chesapeake Bay shoreline.

H2Out™ Secondary Drainage System

The Company was issued a patent in February 2010 for H2Out™, the first "in the caulk joint" secondary drainage and street level leak detection product for panelized exterior cladding. A second line of caulking and drainage strip located behind the exterior line of caulking exits all water leakage to the exterior of the building preventing moisture and mold, and hence deterring lawsuits from tenants and owners of buildings. H2Out™ has been added as a feature of the SlenderWall™ system and is being included in the product literature, website, and all sales presentations.

Although the Company is optimistic about the success of Beach Prisms™ and H2Out™, there can be no assurance of the commercial acceptance of these products. The Company has its first commercial project to provide the H2Out secondary drainage system on the recladding of an existing building using the SlenderWall panel system.

Sources of Supply

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

Licensing

The Company presently grants licenses through its wholly-owned subsidiary Easi-Set Industries for the manufacturing and distribution rights of certain proprietary products, such as the J-J Hooks® Barrier, Easi-Set™ and Easi-Span™ Precast Buildings, SlenderWall™, SoftSound™ and Beach Prisms™ as well as certain non-proprietary products, such as the Company's cattleguards, and water and feed troughs. Generally, licenses are granted for a point of manufacture. The Company receives an initial one-time administration and training license fee ranging from approximately $25,000 to $60,000. License royalties vary depending upon the product licensed, but the range is typically 4% to 6% of the net sales of the licensed product. In addition, Easi-Set™/Easi-Span™ buildings and SlenderWall™ licensees pay the Company a monthly fee for co-op advertising and promotional programs. The Company produces and distributes advertising and promotional materials and promotes the licensed products through its own advertising subsidiary, Midland Advertising + Design.

The Company has entered into 50 licensing agreements in the United States, eight in Canada, two in Mexico and one each in Belgium, New Zealand, Australia and Trinidad, for a total of 64 licensees worldwide. The Company sold one new building licensee during 2015 and added a second plant to an existing licensee.

The Company is currently negotiating several new license arrangements and, although no assurance can be given, expects to increase its licensing activities.

Marketing and Sales

The Company's precast subsidiaries use an in-house sales force and, to a lesser extent, independent sales representatives to market its precast concrete products through trade show attendance, sales presentations, advertisements in trade publications, and direct mail to end users.

The Company has also established a cooperative advertising program in which the Company and its Easi-Set™/Easi-Span™ buildings and SlenderWall™ licensees combine resources to promote certain precast concrete products. Licensees pay a monthly fee and the Company pays any additional amounts required to advertise the products across the country. Although the Company advertises nationally, the Company's precast subsidiaries marketing efforts are concentrated on the region within a 250-mile radius from its facilities, which includes most of Virginia, Delaware, the District of Columbia, Maryland, North Carolina, South Carolina, and parts of Pennsylvania, New York, New Jersey and West Virginia.

The Company's precast and barrier rental sales result primarily from the submission of estimates or proposals to general contractors who then include the estimates in their overall bids to various government agencies and other end users that solicit construction contracts through a competitive bidding process. In general, these contractors solicit and obtain their construction contracts by submitting the most attractive bid to the party desiring the construction. The Company's role in the bidding process is to provide estimates to the contractors desiring to include the Company's products or services in the contractor's bid. If a contractor who accepts the Company's bid is selected to perform the construction, the Company provides the agreed upon products or services. In many instances, the Company provides estimates to more than one of the contractors bidding on a single project. The Company also occasionally negotiates with and sells directly to end-users.

Competition

The precast concrete industry is highly competitive and consists of a few large companies and many small to mid-size companies, several of which have substantially greater financial and other resources than the Company. Nationally, several large companies dominate the precast concrete market. However, due to the weight and costs of delivery of precast concrete products, competition in the industry tends to be limited by geographical location and distance from the construction site and is fragmented with numerous manufacturers in a large local area.

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

Patents and Proprietary Information

The Company currently owns U.S., Canadian, Australian and New Zealand patents for J-J Hooks® highway barrier and U.S. and Canadian patents for Easi-Set™ Precast Building features and for SlenderWall™ exterior cladding system features and a U.S. patent for H2Out™ . In 1997, a European patent for J-J Hooks was allowed and it has been registered in the U.K. and Belgium. Additionally, the Company has “trade dress” applications for J-J Hooks features filed in the U.S., Australia, and New Zealand and “distinguishing guise” applications for J-J Hooks features filed in Canada. A U.S. “trade dress” application for Beach Prisms and the J-J Hooks "end taper" have been issued in the U.S.

The Company owns U.S. registered trademarks for Smith-Midland (logo), Smith Cattleguard (words), Excellence in Precast Concrete (words), Easi-Set (logo & words), Easi-Span (words), Easi-Set Industries (words), J-J Hooks (logo), SlenderWall (logo), Thermaguard (words) and J-J Hooks "V" taper (trade-dress). The J-J Hooks logo is registered in Canada, European Community, Australia, and New Zealand.

While the Company intends to vigorously enforce its patent rights against infringement by third parties, no assurance can be given that the patents or the Company's patent rights will be enforceable or provide the Company with meaningful protection from competitors or that its patent applications will be allowed. During 2012, the Company instituted a lawsuit for the infringement of its intellectual properties by a company producing its J-J Hooks highway barrier without a license. The Company successfully settled this matter by requiring the defendant's acceptance of becoming a licensee and thereby paying royalties on J-J Hooks® highway barrier sales. Even if a competitor's products were to infringe patents held by the Company, enforcing the patent rights in an enforcement action would be very costly, and assuming the Company has sufficient resources, would divert funds and resources that otherwise could be used in the Company's operations. No assurance can be given that the Company would be successful in enforcing such rights, that the Company's products or processes do not infringe the patent or intellectual property rights of a third party, or that if the Company is not successful in a suit involving patents or other intellectual property rights of a third party, that a license for such technology would be available on commercially reasonable terms, if at all.

Government Regulation

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

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

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

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

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

Employees

As of March 4, 2016, the Company had a total of 205 employees, of which 167 are full-time, four are part-time and 34 are temporary workers, with 186 located at the Company's Midland, Virginia facility,19 are located at the Company's facility in Reidsville and North Carolina. None of the Company's employees are represented by labor organizations and the Company is not aware of any activities seeking such organization. The Company considers its relationships with its employees to be satisfactory.

Item 1A. Risk Factors

Not applicable

Item 1B Unresolved Staff Comments

Not applicable

Item 2. Properties

Facilities

The Company operates two manufacturing facilities. The primary manufacturing operations are conducted in a 44,000 square foot manufacturing plant located on approximately 22 acres of land in Midland, Virginia, of which the Company owns approximately 19 acres and three acres are leased from Rodney I. Smith, the Company's Chief Executive Officer, at an annual rental rate of $24,000. The manufacturing facility houses two concrete mixers and one concrete blender. The plant also includes two environmentally controlled casting areas, two batch plants, a form fabrication shop, a welding and metal fabrication facility, a carpentry shop, a quality control center and a recently enlarged and covered steel reinforcing fabrication area of approximately 8,000 square feet. The Company's Midland facility also includes a large storage yard for inventory and stored materials.

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

On March 27, 2016, the Company executed an agreement to purchase the land, building and fixtures of a facility located in Hopkins, South Carolina for a purchase price of $1,550,000. The facility is located on 39 acres of land and has approximately 40,000 square feet of production space. The purchase is subject to certain conditions, including a satisfactory appraisal and an environmental study. The Company anticipates that the closing, if it occurs, shall occur in 4-6 weeks. The facility and related assets will be used as collateral for an anticipated bank loan in the approximate amount of $1,240,000.

In the event the Company consummates the purchase of the South Carolina facility, the Company believes that it will have sufficient capacity to cover additional territory in the Atlantic Coast region down to the northern part of Florida. Its present facilities will be adequate for its current needs in its other territory and that they are adequately covered by insurance. Substantially all of the Company’s facilities and equipment (not including the new facility) are used as collateral for a note payable, which note as of December 31, 2015 had a balance of $1,814,825.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's Common Stock trades on the OTCQX Markets under the symbol "SMID".

As of March 4, 2016, there were approximately 60 record holders of the Company's Common Stock. Management believes there are at least 350 beneficial owners of the Company's Common Stock.

The following table sets forth the high and low closing prices on the OTC Markets for the Company's Common Stock for the periods indicated. The prices were obtained from the NASDAQ website. These market quotations reflect inter-dealer prices, without retail markup, markdown, or commission.

	High	Low
2015		
First Quarter	$2.75	$2.15
Second Quarter	2.50	2.05
Third Quarter	2.77	2.05
Fourth Quarter	3.59	2.45
2014		
First Quarter	$2.74	$2.00
Second Quarter	2.38	1.80
Third Quarter	2.10	1.82
Fourth Quarter	2.38	1.95

Dividends

On December 1, 2015, the Company declared a special dividend of $.04 per share of Common Stock for holders of record as of December 18, 2015, which was paid on December 30, 2015. On December 12, 2014, the Company declared a special dividend of $.035 per share of Common Stock for holders of record as of December 17, 2014, which was paid on December 30, 2014. Although the Company paid a dividend for the preceding four years, the Company cannot guarantee the continued payment of dividends due to the internal need for funds in the development and expansion of its business. The declaration of dividends in the future will be at the election of the Board of Directors and will depend upon earnings, capital requirements and financial position of the Company, general economic conditions and other pertinent factors.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company (including the Notes thereto) included elsewhere in this report.

The Company generates revenues primarily from the sale, shipping, licensing, leasing and installation of precast concrete products for the construction, utility and farming industries. The Company's operating strategy has involved producing innovative and proprietary products, including Slenderwall™, a patented, lightweight, energy efficient concrete and steel exterior wall panel for use in building construction; J-J Hooks® Barrier, a positive-connected highway safety barrier; Sierra Wall™, a sound barrier primarily for roadside use; transportable concrete buildings; and SoftSound™, a highway sound attenuation system. In addition, the Company produces utility vaults; farm products such as cattleguards, and water and food troughs; and custom order precast concrete products with various architectural surfaces.

Overview

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Overall, the Company's financial performance improved significantly in 2015 when compared to 2014. The Company had net income in 2015 in the amount of $1,044,304 compared to a net loss of $804,838 for 2014. The improvement came in several areas: 1). 30% increase in revenues or $6.7 million, 2). $2.6 million increase in one our most profitable product lines, barrier rentals, 3). a 7% increase in gross profit as a percentage of revenue. In addition, the Company was able to obtain the contract to rent, set and remove its highway safety barrier during the 2015 visit of the Pope to both Philadelphia, Pennsylvania and Washington, D.C. This contract helped to add additional profit to the net income for the third quarter of the year. During the fourth quarter of 2015, and the first quarter of 2016, the Company received several new contracts for its precast products that will begin production in 2016. The Company has also bid on several soundwall, slenderwall and miscellaneous projects that are scheduled to begin in the second half of 2016 for which the Company will probably receive one or more.

Results of Operations

Year ended December 31, 2015 compared to the year ended December 31, 2014

For the year ended December 31, 2015, the Company had total revenue of $29,204,239 compared to total revenue of $22,470,837 for the year ended December 31, 2014, an increase of $6,733,402, or 30%. Sales include revenues from product sales, royalty income, barrier rental income and shipping and installation income. Product sales are further divided into wall panel sales, which include Soundwall, architectural and Slenderwall™ panels, highway barrier, beach prisms, Easi-Set® and Easi-Span® buildings, utility and farm products and miscellaneous precast products. The following table summarizes the sales by product type and a comparison for the years ended December 31, 2015 and 2014:

Sales By Product Type

	2015	2014	Change	% of Change
Product Sales:				
Soundwall Sales	$3,214,071	$2,244,477	$969,594	43.2%
Architectural Panel Sales	2,301,706	1,032,595	1,269,111	122.9%
Slenderwall Sales	3,068,800	1,624,473	1,444,327	88.9%
Miscellaneous Wall Sales	2,469,978	1,607,591	862,387	53.6%
Total Wall Panel Sales	11,054,555	6,509,136	4,545,419	69.8%
Barrier Sales	2,737,274	3,076,680	(339,406)	(11.0)%
Beach Prisms	25,500	3,825	21,675	566.7%
Easi-Set and Easi-Span Building Sales	2,893,688	3,729,703	(836,015)	(22.4)%
Utility and Farm Product Sales	2,681,500	1,608,417	1,073,083	66.7%
Miscellaneous Product Sales	516,139	315,615	200,524	63.5%
Total Product Sales	19,908,656	15,243,376	4,665,280	30.6%
Royalties income	1,742,310	1,592,633	149,677	9.4%
Barrier Rentals	3,947,068	1,365,671	2,581,397	189.0%
Shipping and Installation	3,606,205	4,269,157	(662,952)	(15.5)%
Total Service Revenue	9,295,583	7,227,461	2,068,122	28.6%
Total Sales	$29,204,239	$22,470,837	$6,733,402	30.0%

Wall Panel Sales – Wall panel sales are generally medium to large contracts issued by general contractors for production and delivery of a specific wall panel product for a specific construction project. Changes in the mix of wall panel sales depend on what contracts are in production during the period. Overall wall panel sales increased by

69.8% for year ended December 31, 2015, compared to the same period in 2014. The following describes the changes by wall panel type:

Soundwall sales increased by 43.2% in 2015 over 2014 due primarily to two large contracts started in 2015, and even though 2014 had the same number of contracts in progress as 2015, the total value of these contracts was much smaller. The Company has six soundwall projects in production as of the first quarter of 2016 and has bid on several more that will commence in the second quarter of 2016 which should allow the Company to exceed the the 2015 production and sales output.

Architectural sales increased by 122.9% in 2015 over 2014 due to a large contract that was started and completed in 2015. Although architectural project bids have increased somewhat over the last year, they are still lagging behind other project type bids and are still bidding at lower gross margins. Management expects Architectural revenue to decrease slightly in 2016 based on contracts currently in hand.

Slenderwall™ sales increased by 88.9% in 2015 when compared to 2014. The Company had only one large Slenderwall™ project in production during 2014, however, the Company had several new Slenderwall™ projects in production during 2015. While the Company has only one large Slenderwall™ project scheduled for production in 2016, we have an additional project for which the contract has not been executed, but the general contractor has specified Slenderwall™ for the cladding. This project is scheduled to start in the fall of 2016. The Company has bid on several additional Slenderwall™ projects that will begin 2016 or 2017 and expects to be awarded one or more of these projects.

Miscellaneous wall sales are mainly retaining walls which are used to hold back earth on sloped land. During the third quarter of 2015, some of the miscellaneous product revenues were reclassified from Miscellaneous Products to Miscellaneous Wall Panels as it was believed to be better classified under the latter product type. The reclassification was made to the 2014 products so a comparison could be made. Miscellaneous wall sales increased significantly in 2015 when compared to 2014, due mainly to a series of related projects awarded to the Company and produced in 2015 at an accelerated production schedule. Miscellaneous projects are difficult to predict from year to year, however, based on current jobs in our backlog and bids outstanding, management believes that production and sales in 2016 will be at or near 2015 levels.

Barrier Sales – Barrier sales are dependent on the number of highway projects active during the period and whether customers are more prone to buy barrier than to rent. In 2015 barrier sales decreased by $339,406 from the previous year. The decrease relates in part to the increase in rental barrier made by our barrier rental segment of the Company. The Company has received two contracts for the production and sale of barrier for highway projects in 2016. While the Company has seen an increase in highway projects being bid, it is difficult to convert bids to actual purchases of barrier as opposed to the rental of highway barrier.

Beach Prisms – The Company made its first sale of beach prisms in 2009 and continued to make minor sales in the following years, including 2014 and 2015. The Company made one sale of beach prisms in 2015 to the Michigan Department of Natural Resources for the stated usage of preventing shore erosion. The Company is still in the process of seeking to acquire the necessary permits from the states of Maryland and Virginia, which has been more difficult than originally estimated. The Company sold $59,000 in Beach Prisms in the state of New Jersey in 2013 to a local governmental entity to assist with the recovery from hurricane Sandy. Several projects have been in the permit phase for several years, and if granted, will result in sales, provided such projects are not canceled due to delays. Future sales of Beach Prisms cannot be accurately predicted because of continued difficulty in obtaining the needed state permits, however, management still believes that beach prisms are a viable product and will continue to push for licensing approval.

Easi-Set® and Easi-Span® Building Sales – The Easi-Set® buildings program now includes Easi-Set®, plant assembled and Easi-Span®, site assembled, and an extensive line of pre-engineered restrooms. Building sales decreased by 22.4% in 2015 compared to 2014. The decrease in sales was primarily due to less sales under our GSA sales contract which ends in July of 2016. The Company continues to expand and improve its proprietary line of restroom buildings for parks, athletic fields and other outdoor venues and is continuing to market these products with a highly visible advertising campaign. Bidding activity for buildings and restrooms was steady in 2015 and management believes that 2016 will see an increase in Easi-Set® buildings and restrooms over 2015.

Utility and Farm Sales – Utility and farm products are mainly underground utility vaults used in infrastructure construction. Utility and farm product sales increased by 66.7% in 2015 compared to 2014. The Company was awarded a large manhole contract to be produced in 2015 and 2016, and continues to believe that sales will continue through 2016 at or slightly above the 2015 level. The recently funded highway projects also require utility vaults for underground placement of utilities and the Company is bidding on these vault projects as well.

Miscellaneous Product Sales – See reclassification note included in miscellaneous wall panels above. Miscellaneous products are products that are produced and sold that do not meet the criteria defined for other revenue categories, examples would include underground steam tunnels, highway slabs or bridge slabs. For 2015, miscellaneous sales increased by 63.5% when compared to 2014. The increase in sales was due to an increase in miscellaneous products bid for 2015 and those awarded for the year.

Royalty Income – Royalty revenues increased by 9.4% in 2015, with barrier and building royalties increasing over those of 2014. The other royalty product lines were up slightly when comparing 2015 to 2014. The Company signed one new building license during 2015 and added an additional plant to an existing licensee. Management is currently in discussions with several precast companies regarding the issuance of new licenses. Based on currently reporting licensees, management believes that royalties will continue on an upward trend in 2016.

Barrier Rentals – Barrier rentals increased by 189% in 2015 when compared to 2014. The increase resulted primarily from two large rental contracts awarded the Company for two short-term barrier rental projects in Washington D.C. and Philadelphia, PA for the month of September 2015. These projects were related to the Papal visit, and this type of special event may not be repeated in 2016. Management believes barrier rentals will be lower in 2016 over that of 2015 due to the revenue of the Papal visit in 2015. The Company continues to pursue its rental barrier expansion plans for its local geographical sales areas and expects its core rental business to increase.

Shipping and Installation – Shipping revenue results from shipping our products to the customers' final destination and is recognized when the shipping services take place. Installation activities include installation of our products at the customers’ construction site. Installation revenue results when attaching architectural wall panels to a building, installing an Easi-Set® building at a customers' site or setting any of our other precast products at a site specific to the requirements of the owner. Shipping and installation revenue decreased by 15.5% during 2015 when compared to 2014. Several of our larger customers are late in having their stored material products sent to their final destinations followed by their appropriate installation. Currently our storage yard is filled with stored material causing our revenues from shipping and installation to be less in 2015 compared to 2014. 2016 should improve over 2015 as of our current storage of the sold products will begin to ship and install in 2016.

Cost of Goods Sold – Total cost of goods sold for the year ended December 31, 2015 was $22,093,834, an increase of $3,468,799, or 18.6%, from $18,625,035 for the year ended December 31, 2014. Total cost of goods sold, as a percentage of total revenue decreased to 76% for the year ended December 31, 2015 from 83% for the year ended December 31, 2014. The decrease in the cost of goods sold as a percentage of total revenue was, in part, because of the increase in production and sales for the period while fixed overhead costs remained relatively flat. Raw material costs increased slightly in 2015 over 2014 with very little inflationary pressures for the Company. Steel products, one of our largest purchases, decreased slightly in 2015. In addition, the special barrier rental projects were at slightly higher margins than our normal product sales. Many of our past projects with lower margins from the construction downturn have been both produced and sold prior to and during the first half of 2015, making 2015 slightly more profitable on a job by job comparison than 2014. The Company continues to seek new vendor partnerships to help develop a price advantage for its raw materials as well as a continuous supply of these materials. Management continues to improve its effectiveness through the use of lean manufacturing principals.

General and Administrative Expenses – For the year ended December 31, 2015, the Company's general and administrative expenses increased by $385,678, or 13%, to $3,365,513 from $2,979,835 during the same period in 2014. The increase in general and administrative expenses resulted primarily from an increase in employee costs and an increase in general office expenses. The increase in employee costs resulted from an across the board raise given to all employees in April 2015. General and administrative expense as a percent of total revenue were 12% for the year ended December 31, 2015 and 13% for the year ended December 31, 2014.

Selling Expenses – Selling expenses for the year ended December 31, 2015 decreased by $50,256, or 2%, to $2,168,013 from $2,218,269 for the year ended December 31, 2014. The decrease was due to a decrease in advertising expenses partially offset by an increase in employee costs. The increase in employee costs resulted from an across the board raise given to all employees in April 2015.

Operating Income – The Company had operating income for the year ended December 31, 2015 of $1,668,670 compared to an operating loss of $1,194,936 for the year ended December 31, 2014, an increase of $2,863,606. The increase in operating income was primarily the result of a significant increase in sales and a decrease in the cost of goods sold for year ended December 31, 2015 as a percentage of revenue as discussed above.

Interest Expense – Interest expense was $103,086 for the year ended December 31, 2015 compared to $116,229 for the year ended December 31, 2014. The decrease of $13,143, or 11%, was due primarily to the early payment of a note payable to a bank and lower balances on the remaining notes payable outstanding.

Income Tax Expense – The Company had income tax expense of $557,000 for the year ended December 31, 2015 compared to an income tax benefit of $498,000 for the year ended December 31, 2014. The Company had an effective rate of 35% for the year ended December 31, 2015 compared to an effective rate of 38% for the same period in 2014. The changes in the tax expense for the periods correlated to the change in pre-tax income.

Net Income – The Company had net income of $1,044,304 for the year ended December 31, 2015, compared to a net loss of 804,838 for the same period in 2014. The basic and diluted income per share for 2015 was $0.21, compared to basic and diluted loss per share of $0.16 for the year ended December 31, 2014. There were 4,895,367 basic and 4,881,548 diluted weighted average shares outstanding in 2015 and 4,881,548 basic and diluted weighted average shares outstanding in the 2014.

Liquidity and Capital Resources

The Company financed its capital expenditures and operating requirements in 2015 with cash flows from operations, cash balances on hand and notes payable to the Bank.

The Company has a note payable to Summit Community Bank (the "Bank") with a balance of $1,575,951 as of December 31, 2015. The note has a remaining term of approximately eight years and a fixed interest rate of 3.99% annually with monthly payments of $25,642 and is secured by principally all of the assets of the Company. Under the terms of the note, the Bank will permit chattel mortgages on purchased equipment not to exceed $250,000 for any one individual loan so long as the Company is not in default. Also, the Company is limited to $1,000,000 for annual capital expenditures. At December 31, 2015, the Company was in compliance with all covenants pursuant to the loan agreement as amended except for the payment of cash dividends on December 31, 2014 for which the Company received approval prior to payment and the limit of $1,000,000 for the purchase of capital expenditures, for which the Company received a waiver for the capital expenditures for 2015.

On March 27, 2016, the Company executed an agreement to purchase the land, building and fixtures of a facility located in Hopkins, South Carolina for a purchase price of $1,550,000. The facility is located on 39 acres of land and has approximately 40,000 square feet of production space. The closing of the purchase is subject to certain conditions, including a satisfactory appraisal and an environment study. The purchase will be financed by a new 10 year term facility, pursuant to a commitment letter, with the Company's current bank in the amount of $1,240,000 with the balance being provided from the Company's cash resources. It is anticipated that the Company will make payments of approximately $8,000 per month for principal and interest under the loan. The facility and related assets will serve as collateral for such loan. The Company anticipates that the closing, if it occurs, shall occur in 4-6 weeks. Earlier in 2016 the Company signed a contract to provide $3,500,000 of JJ-Hooks Highway Safety Barrier to a single customer located in North Carolina. It is anticipated, should the purchase of the South Carolina facility be consummated, that the product will be produced primarily from that facility. The contract will be provide a profitable start for the new facility and allow time for advertising and sales plans to be put in place prior to the beginning of the second year after its purchase. Certain purchases of production equipment, vehicles and miscellaneous equipment will be required to be made over the first year of ownership in the approximate amount of $500,000 to be financed under the Company's $1,000,000 equipment line or from the operating cash generated by the new facility.

In addition to the note payable discussed above, the Company also has a $2,000,000 line of credit with the Bank, of which $352,022 was outstanding at December 31, 2015. The amount due under the line is for the purchase of fixed assets that will be converted to a long term note payable in the near future. The line of credit is evidenced by a commercial revolving promissory note which carries a variable interest rate of prime and matures on September 12, 2016. The loan is collateralized by a first lien position on the Company's accounts receivable and inventory and a second lien position on all other business assets. Key provisions of the line of credit require the Company, (i) to obtain bank approval for capital expenditures in excess of $1,000,000 during the term of the loan; (ii) to obtain bank approval prior to its funding any acquisition and (iii) to obtain bank approval prior to the payment of cash dividends on the Company's common stock. On September 8, 2015 the Company received a Commitment Letter from the Bank to provide a guidance line of credit specifically to purchase business equipment in an amount up to $1,000,000. The commitment provides for the purchase of equipment with minimum advances of $50,000 for which a note payable will be executed with a term not to exceed five years with an interest rate at the Wall Street Journal prime rate plus .5% with a floor of 4.49% per annum. The loan is collateralized by a first lien position on all equipment purchased under the line. The commitment for the guidance line of credit matures on September 7, 2016.

At December 31, 2015, the Company had cash totaling $1,735,621 and $1,041,790 of investment securities available for sale compared to cash totaling $3,572,405 and $1,013,417 of investment securities available for sale at December 31, 2014. During 2015, the Company’s operating activities provided $18,890 due mainly to changes in current asset and current liability accounts during 2015. The significant increase in accounts receivable during 2015 resulted from an increase in sales for 2015 when compared to 2014. In 2015, investing activities used $1,648,877 primarily for the purchase of capital equipment. Financing activities used $206,797 in cash in 2015, which resulted primarily from the repayment of notes payable and the payment of a cash dividend in the amount of $194,345.

Capital spending, including financed additions, increased from $465,826 in 2014 to $1,635,317 in 2015. Capital expenditures in 2015 included spending for vehicles, rental barrier and manufacturing equipment. In 2016, the Company intends to continue to make capital improvements which may include cranes, vehicles, manufacturing equipment and other items as necessary. The Company anticipates capital spending for 2016 to be approximately $1,000,000.

The Company's cash flow from operations is affected by production schedules set by contractors, which generally provide for payment 45 to 75 days after the products are produced and with some architectural contracts, retainage may be held until the entire project is completed. This payment schedule could result in liquidity problems for the Company because it must bear the cost of production for its products before it receives payment. The Company's days sales outstanding (DSO) in 2015 was 88 days compared to 91 days in 2014. The decrease in the DSO is due primarily to more aggressive collection activities during the year. Although no assurance can be given, the Company believes that anticipated cash flow from operations with adequate project management on jobs will be sufficient to finance the Company's operations and necessary capital expenditures for at least the next 12 months.

The Company's inventory at December 31, 2015 was $2,494,284 and at December 31, 2014 was $1,726,544, an increase of $767,740. The annual inventory turns for 2015 and 2014 were 10.0 and 10.8, respectively.

Significant Accounting Policies and Estimates

The Company's significant accounting policies are more fully described in its Summary of Accounting Policies to the Company's consolidated financial statements. The preparation of financial statements in conformity with accounting principles generally accepted within the United States of America requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying financial statements and related notes. In preparing these consolidated financial statements, management has made its best estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below, however, application of these accounting policies involves the exercise of judgment and the use of assumptions as to future uncertainties and as a result, actual results could differ from these estimates.

The Company evaluates the adequacy of its allowance for doubtful accounts at the end of each quarter. In performing this evaluation, the Company analyzes the payment history of its significant past due accounts, subsequent cash collections on these accounts and comparative accounts receivable aging statistics. Based on this information, along with other related factors, the Company develops what it considers to be a reasonable estimate of the uncollectible amounts included in accounts receivable. This estimate involves significant judgment by the management of the Company. Actual uncollectible amounts may differ from the Company's estimate.

The Company recognizes revenue on the sale of its standard precast concrete products at shipment date, including revenue derived from any projects to be completed under short-term contracts. Installation services for precast concrete products, leasing and royalties are recognized as revenue as they are earned on an accrual basis. Licensing fees are recognized under the accrual method unless collectability is in doubt, in which event revenue is recognized as cash is received. Certain sales of Soundwall, Slenderwall, and other architectural concrete products are recognized upon completion of units produced under long-term contracts. When necessary, provisions for estimated losses on these contracts are made in the period in which such losses are determined. Changes in job performance, conditions and contract settlements that affect profit are recognized in the period in which the changes occur. Unbilled trade accounts receivable represents revenue earned on units produced and not yet billed.

Seasonality

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

Inflation

Management believes that the Company's operations were not significantly affected by inflation in 2015 and 2014, particularly in the purchases of certain raw materials such as steel and fuel. The Company believes that raw material pricing will see some modest increases in 2016 as the economy continues its recovery, although no assurance can be given regarding future pricing.

Other Comments

As of March 4, 2016 the Company's sales backlog of inventoried products and unbilled construction contracts was approximately $18 million as compared to approximately $12.9 million at approximately the same time in 2015. The increase in the backlog relates to the Company's continued emphasis on its proprietary product, Slenderwall™. A substantial majority of the projects relating to the sales backlog as of March 4, 2016 are scheduled to be shipped during 2016.

The Company also maintains a regularly occurring repeat customer business, which should be considered in addition to the orders in the sales backlog described above. These orders typically have a quick turn around and represent purchases of the Company’s inventoried standard products, such as highway safety barrier, utility and Easi-Set building products. Historically, this regularly occurring segment of our customer base is equal to approximately $5,000,000 to $7,000,000 annually.

The risk exists that recessionary economic conditions may adversely affect the Company more than it has experienced to date. To mitigate these economic and other risks, the Company has a broader product offering than most competitors and has historically been a leader in innovation and new product development in the industry. The Company is continuing this strategy through the development, marketing and sales efforts for its new products. The Company continues it lean efforts for both manufacturing and administrative activities and made great strides in moving forward during 2015.

The Company is continuing its marketing, advertising and promotional efforts for both Beach Prisms™, a shoreline erosion control product that uses the preferred natural "soft" approach as opposed to the "hard" approach of seawalls and jetties, to solve this worldwide problem and H2Out™, the world’s first “in the caulk joint” secondary drainage and street level leak detection product for panelized exterior cladding. While the Company has received a permit to install Beach Prisms™ at a specific site in Virginia, the Company is still in the process of seeking to secure additional site permit approvals in Virginia and the support of the appropriate environmental agencies in neighboring states for its Beach Prisms™. Although the Company is optimistic about the success of Beach Prisms™ and H2Out™, there can be no assurance of the commercial acceptance of these products.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

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

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. This process includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer of the Company assessed the effectiveness of our internal control over financial reporting based on the framework in “Internal Control – Integrated Framework (1992)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) as of December 31, 2015, and concluded that its controls were effective as of such date.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the Securities and Exchange Commission rules that permit the Company to provide only management's report in this annual report.

Disclosure controls and procedures

We carried out our evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on our evaluation, our principal executive officer and chief financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Certain information with respect to our Directors and executive officers is set forth below.

Name	Age	Director or Executive Officer Since	Position
Rodney I. Smith	77	1970	Chief Executive Officer and Chairman of the Board of Directors
Ashley B. Smith	53	1994	President and Director
Wesley A. Taylor	68	1994	Vice President of Administration and Director
G. E. "Nick" Borst	75	2013	Director
William A. Kenter	69	2008	Chief Financial Officer, Secretary and Treasurer

Background

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

Rodney I. Smith. Chairman of the Board of Directors, Chief Executive Officer. Rodney I. Smith co-founded the Company in 1960 and became its President and Chief Executive Officer in 1965. He has served on the Board of Directors and has been its Chairman since 1970. Mr. Smith is the principal developer and inventor of the Company's proprietary and patented products. He is the past President of the National Precast Concrete Association. Mr. Smith has served on the Board of Trustees of Bridgewater College in Bridgewater, Virginia since 1986. The Company believes that Mr. Smith's extensive experience in the precast concrete products industry and his knowledge of the marketplace gives him the qualifications and skills necessary to serve in the capacity as the Chairman of the Board of Directors.

Ashley B. Smith. President and Director. Ashley B. Smith has served as President of the Company since 2012 and as the Vice President of the Company from 1990 to 2011 and as a Director since 1994. Mr. Smith holds a Bachelor of Science degree in Business Administration from Bridgewater College. Mr. Ashley B. Smith is the son of Mr. Rodney I. Smith. The Company believes that Mr. Smith's education, experience in the precast concrete industry and business experience give him the qualifications and skills necessary to serve in the capacity as a director.

Wesley A. Taylor. Vice President of Administration and Director. Wesley A. Taylor has served as Vice President of Administration of the Company since 1989 and as a Director since 1994, and previously held positions as Controller and Director of Personnel and Administration. Mr. Taylor holds a Bachelor of Arts degree from Northwestern State University. The Company believes that Mr. Taylor's education, business experience and his extensive experience in the precast concrete industry gives him the qualifications and skills necessary to serve in the capacity as a director.

G. E. (Nick) Borst. Director. G. E. Nick Borst served as an member of the Board of Directors of the Company since 2013. For more than the past five years, Mr. Borst has been engaged in the private practice of law, advising clients in business organization and corporate governance. Prior to entering private practice, Mr. Borst served as a trial attorney and as a federal prosecutor with the government. Mr. Borst previously served as president of the Fauquier County Bar Association and as a three-year treasurer of the Fauquier County Chamber of Commerce. In private law practice, Mr. Borst advised clients on business organization and governance. Mr. Borst is also a co-founder and past president of Hospice of Fauquier County and is co-founder and long-time board member of Verdun Adventure Bound, an organization that provides experiential learning programs to over 2,000 young people a year. The Company believes that Mr. Borst's current and past business-related experience provides him with the knowledge and skills necessary to serve in the capacity as a director of the Company.

William A. Kenter. Chief Financial Officer, Secretary and Treasurer. William A. Kenter has served as Chief Financial Officer of the Company since September 2008. Prior to joining the Company, Mr. Kenter was Controller for the Mount Vernon Printing division of Consolidated Graphics, Inc., a commercial printing company, from September 2007 to September 2008. Mr. Kenter served as President and CEO of PenGraphix Printing Solutions, a commercial printing company, from January 2000 to August 2007.

Section 16(a) Beneficial Ownership Reporting Compliance

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

Based solely on a review of the copies of such forms furnished to the Company, the Company believes that all Section 16(a) filing requirements applicable to its executive officers, Directors and greater than ten percent (10%) beneficial owners were satisfied during 2015, except for one Form 4 (reporting three option exercise transactions and two resulting sale transactions) filed late by Wesley A. Taylor and a Form 3 filed late by G.E. "Nick" Borst.

Code of Ethics

The Company adopted a code of ethics that applies to the Chief Executive Officer, Chief Financial Officer, Accounting Manager and persons performing similar functions. The Board of Directors approved the code of ethics at their meeting on December 17, 2003. A copy of the code of ethics was filed as an exhibit to the Company’s Form 10-KSB for the year ended December 31, 2003, and a copy may be obtained without charge by requesting one in writing from Secretary, Smith-Midland Corporation, P.O. Box 300, 5119 Catlett Road, Midland, VA 22728.

Audit Committee

The Company does not currently have a separately designated standing Audit Committee or a committee performing similar functions. The board of directors as a whole performs the required functions of an audit committee. The Company's board of directors has determined that it does not have an "audit committee financial expert". The Company had a financial expert as a director in 2012 and 2013 and at that time, the Company had a standing Audit Committee. The Company's board of directors is currently seeking an individual who qualifies as a financial expert to add to the current board of directors.

Item 11. Executive Compensation

The following table sets forth the compensation paid by the Company for services rendered for 2015 and 2014 to the principal executive officer and the Company's two most highly compensated executive officers other than the principal executive officer (the "named executive officers") as of the end of 2015:

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)	Option Awards ($)	Non Eq-uity Incentive Plan Compen-sation ($)	Non qual-ified Deferred Compen-sation Earning ($)	All Other Compen-sation ($)	Total ($)
Rodney I. Smith	2015	119,731	—					102,000	221,731
Chief Executive Officer and Chairman of the Board (3)	2014	108,767	—					102,000	210,767
Ashley B. Smith	2015	169,258	—					3,000	172,258
President (4)	2014	137,385	1,500					3,000	141,885
William A. Kenter	2015	114,987	—					—	114,987
Chief Financial Officer	2014	108,197	—					—	108,197

(1) Represents salaries paid in 2015 and 2014 for services provided by each named executive officer serving in the capacity listed.

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

(3) Mr. Rodney Smith was paid $99,000 in each of 2015 and 2014, which is included in the column titled "All Other Compensation", for royalty payments due under his employment contract with the Company, which is more fully described in the following section titled "Employment Contracts and Termination of Employment and Change in Control Arrangements". In addition, Mr. Rodney Smith received director's compensation in the amount of $3,000 for the years 2015 and 2014.

(4) Mr. Ashley Smith received director's compensation in the amount of $3,000 for each of the years 2015 and 2014.

Outstanding Equity Awards At Fiscal Year-End

The following table sets forth information for the named executive officers regarding any common share purchase options, stock awards or equity incentive plan awards that were outstanding as of December 31, 2015.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/Sh)	Option Expiration Date
Rodney I. Smith	20,000	—	2.25	5/21/2016
	20,000	—	2.15	5/21/2017
	40,000	—	1.21	6/29/2018
TOTAL	80,000	—		
Ashley B. Smith	7,000	—	2.25	5/21/2016
	7,000	—	2.15	5/21/2017
	14,800	—	1.21	6/29/2018
TOTAL	28,800	—		
TOTAL	108,800	—		

All stock options vest on a prorated basis annually over three years from the date of grant and expire ten years from the date of grant.

Compensation of Directors

All Directors receive $1,000 per meeting as compensation for their services as Directors and are reimbursed for expenses incurred in connection with the performance of their duties.

Fiscal 2015 Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation	Non-Qualified Deferred Compen-sation Earnings	All Other Compen-sation	Total ($)	
Rodney I. Smith	3,000	—	—	—	—	—	3,000	(1)
Ashley B. Smith								