

SMITH MIDLAND CORP
Form DEF 14A
August 06, 2013

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, For Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to Section 240.14a-12

SMITH-MIDLAND CORPORATION
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SMITH-MIDLAND CORPORATION
5119 Catlett Road
Midland, Virginia 22728

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held on Wednesday, September 4, 2013

Dear Stockholders:

You are cordially invited to attend the 2013 Annual Meeting of Stockholders of SMITH-MIDLAND CORPORATION (the "Company"), a Delaware corporation, to be held at Smith-Midland Corporation located at 5119 Catlett Road, Midland, Virginia 22728 on Wednesday, September 4, 2013 at 5:00 p.m. local time. The annual meeting is being held for the following purposes:

1. To elect five (5) members to the Board of Directors;
2. To ratify the appointment of the accounting firm BDO USA, LLP as the Company's Independent Registered Public Accountants for the current fiscal year;
3. To approve an advisory vote on executive compensation for named executives;
4. To approve an advisory vote on the frequency of advisory votes on executive compensation for named executives in future years; and
5. To consider and act upon any matters incidental to the foregoing and any other matters that may properly come before the meeting or any and all adjournments thereof.

The Board of Directors has fixed the close of business on July 16, 2013 as the record date for the determination of Stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment or adjournments thereof. The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

We hope that all stockholders will be able to attend the Annual Meeting in person. In order to assure that a quorum is present at the annual meeting, please date, sign and promptly return the enclosed proxy whether or not you expect to attend the Annual Meeting. A prepaid postage envelope has been enclosed for your convenience. If you attend the annual meeting, your proxy will, at your request, be returned to you and you may vote your shares in person.

By Order of the Board of Directors

Rodney I. Smith
CEO/Chairman

Midland, Virginia
August 1, 2013

Important Notice Regarding the Availability of Proxy Materials for the 2013 Annual Meeting of Stockholders to be held on September 4, 2013. Pursuant to Securities and Exchange Commission rules we have elected to utilize the "full set delivery" option of providing paper copies of all of our proxy materials, including a proxy card, to our stockholders, as well as providing access to our proxy materials on a publicly assessable website. The Company's Notice of Annual Meeting, Proxy Statement and Annual Report to Stockholders for the fiscal year ended December 31, 2012 are available on our corporate website and may be accessed at www.edocumentview.com/SMID.

SMITH-MIDLAND CORPORATION
5119 Catlett Road
Midland, Virginia 22728

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors of SMITH-MIDLAND CORPORATION (the "Company") for use at the Annual Meeting of Stockholders to be held on Wednesday, September 4, 2013, at 5:00 p.m. local time at Smith-Midland Corporation located at 5119 Catlett Road, Midland, Virginia 22728 and at any adjournment or adjournments thereof.

These proxy solicitation materials are first being mailed to stockholders of record on or about August 1, 2013, together with the Company's Annual Report to Stockholders.

This proxy statement, form of proxy and the annual report are available at: <http://www.edocumentview.com/SMID>

Stockholders of record at the close of business on July 16, 2013 will be entitled to vote at the Annual Meeting or any adjournment thereof. On or about the record date, 4,794,962 shares of the Company's Common Stock, \$.01 par value per share ("Common Stock"), were issued and outstanding. The Company has no other outstanding voting securities.

Each share of Common Stock entitles the holder to one vote with respect to all matters submitted to Stockholders at the Annual Meeting. A quorum for the Annual Meeting is a majority of the shares outstanding. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting for the purpose of determining whether a quorum is present. Broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker does not receive voting instructions from the beneficial owner and (2) the broker lacks discretionary authority to vote the shares.

Abstentions or broker non-votes or failures to vote will have no effect in the election of directors, who will be elected by a plurality of the affirmative votes cast.

The affirmative vote of the holders of a majority of the shares present in person or by proxy and entitled to vote to ratify the appointment of BDO Seidman, LLP as the Company's independent auditors for the current fiscal year will be required for approval. An abstention will be counted as a vote against this proposal and broker non-votes will have no effect on the vote.

The affirmative vote of the majority of the shares present in person or by proxy and entitled to vote is required to approve an advisory vote on executive compensation for named executives. Because this vote is advisory it will not be binding on the Company's Board of Directors. Abstentions will be counted as votes cast against this proposal and broker non-votes will have no effect on the vote.

The frequency option (one year, two years or three years) receiving the plurality of the votes cast will be the frequency that has been "approved" by stockholders. Because the vote is advisory, it will not be binding on the Company's Board of Directors. However, the Board will consider the outcome of the vote when determining the frequency of future advisory votes on executive compensation. Abstentions and broker non-votes will have no effect on this vote.

An Annual Report, containing the Company's audited financial statements for the years ended December 31, 2012 and December 31, 2011, is being mailed to all Stockholders entitled to vote.

Execution of a proxy will not in any way affect a Stockholder's right to attend the Annual Meeting and vote in person. The proxy may be revoked at any time before it is exercised by written notice to the Secretary prior to the Annual Meeting, or by giving to the Secretary a duly executed proxy bearing a later date than the proxy being revoked at any time before such proxy is voted, or by appearing at the Annual Meeting and voting in person. The shares represented by all properly executed proxies received in time for the Annual Meeting will be voted as specified therein. In the absence of a special choice, shares will be voted in favor of the election of Directors of those persons named in this Proxy Statement and in favor of the proposal to ratify and approve the selection of BDO Seidman, LLP as the independent auditors for the Company for the year ending December 31, 2013. In addition, in absence of a special choice, shares will be voted in support of the compensation of the

named executive officers and for a three year frequency on future say-on-pay advisory votes for compensation of the named executive officers.

The Board of Directors knows of no other matter to be presented at the Annual Meeting. If any other matter should be presented at the Annual Meeting upon which a vote may be taken, such shares represented by all proxies received by the Board of Directors will be voted with respect thereto in accordance with the judgment of the persons named as attorneys in the proxies. The Board of Directors knows of no matter to be acted upon at the Annual Meeting that would give rise to appraisal rights for dissenting stockholders.

Proposal No. 1

ELECTION OF DIRECTORS

Five Directors, constituting the entire Board of Directors, are to be elected at the Annual Meeting. Each Director of the Company is elected at the Company's Annual Meeting of Stockholders and serves until his successor is elected and qualified. Vacancies and newly created directorships resulting from any increase in the number of authorized Directors may be filled by a majority vote of Directors then remaining in office. Officers are elected by and serve at the discretion of the Board of Directors.

Shares represented by all proxies received by the Board of Directors and not so marked as to withhold authority to vote for an individual Director, or for all Directors, will be voted (unless one or more nominees are unable or unwilling to serve) for the election of the nominees named below. The Board of Directors knows of no reason why any such nominee should be unwilling to serve, but if such should be the case, proxies will be voted for the election of some other person or for fixing the number of Directors at a lesser number.

The Board unanimously recommends that Stockholders vote FOR election of the five nominees for Director.

The following table sets forth certain information concerning each nominee for election as a Director of the Company:

| Name | Age | Director Since | Position |
|----------------------|-----|----------------|---|
| Rodney I. Smith | 74 | 1970 | Chairman of the Board of Directors, President and Chief Executive Officer |
| Ashley B. Smith | 51 | 1994 | Vice President of Smith-Midland Corporation, President and Chief Operating Officer of Smith-Midland Virginia, Inc. and Director |
| Wesley A. Taylor | 65 | 1994 | Vice President of Administration, Secretary and Director |
| Frederick L. Russell | 54 | 2012 | Director |
| G. E. "Nick" Borst | 72 | - | Nominee |

Background

The following is a brief summary of the background of each nominee for Director of the Company:

Rodney I. Smith. Chairman of the Board of Directors, Chief Executive Officer and President. Rodney I. Smith co-founded the Company in 1960 and became its President and Chief Executive Officer in 1965. He has served on the Board of Directors and has been its Chairman since 1970. Mr. Smith is the principal developer and inventor of the Company's proprietary and patented products. He is the past President of the National Precast Concrete Association. Mr. Smith has served on the Board of Trustees of Bridgewater College in Bridgewater, Virginia since 1986. 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. Vice President and Director. Ashley B. Smith has served as Vice President of the Company since 1990 and as a Director since 1994. Mr. Smith holds a Bachelor of Science degree in Business Administration from Bridgewater College. Mr. Ashley B. Smith is the son of Mr. Rodney I. Smith. 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.

Frederick L. Russell. Director. Frederick L. Russell has been a director of the Company since September 2012. He has been Managing Partner at Virginia Capital, a private equity fund, since its inception in 1996. Mr. Russell has more than 25 years of

venture capital and private equity experience. Mr. Russell is on the Board of substantially all of Virginia Capital's active venture capital investments and is the Chairman of several of these companies. He is on the Board of Kinsale Capital, Virginia Business Media, SC Business Media, Tall Cotton Partners, Clear Signal Towers, Car Pool and Sewickley Partners. Fred was previously with a \$1 billion private equity firm in Washington and a \$100 million venture capital fund before that. The Company believes that Mr. Russell's current and past investment experience as well as his service as a director of many boards provides him with the knowledge and skills necessary to serve in the capacity of director for the Company.

G. E. (Nick) Borst. Advisory Director. G. E. Nick Borst has served as an advisory member of the Board of Directors of the Company since 2005. For more than the past five years, Mr. Borst has been engaged in the private practice of law, advising clients in corporate legal matters. Prior thereto, he served as a trial attorney with the federal 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.

GENERAL INFORMATION RELATING TO THE BOARD OF DIRECTORS AND OFFICERS

Director Independence

Currently Andrew G. Kavounis and Frederick L. Russell, Jr. are the only independent directors of the Company as determined under the NASDAQ Marketplace Rules. If elected G.E. Nick Borst will also be an independent director of the Company. The other Directors are not considered independent in view of their positions as executive officers of the Company.

Meetings and Committees of the Board of Directors

The Board of Directors has a standing Compensation Committee which consists of Messrs. Frederick L. Russell, Jr. and Andrew G. Kavounis. The Compensation Committee was established to set and administer the policies that govern annual compensation for the Company's executives. Messrs. Rodney I. Smith, Ashley B. Smith and Wesley A. Taylor may, in certain circumstances, make recommendations to the Compensation Committee with respect to compensation matters. Following review and approval by the Compensation Committee of the compensation policies, all issues pertaining to executive compensation are submitted to the Board of Directors for approval. The Compensation Committee negotiates and approves compensation arrangements for executive officers, board advisers and directors of the Company, including, but not limited to, the grant of options to purchase the Common Stock pursuant to the Company's 2008 Stock Option Plan or other plans which may be established. The Compensation Committee did not meet during fiscal 2012. Instead, the Board of Directors as a whole addressed these matters. The Company does not currently have a Compensation Committee charter.

The Company believes that a standing nominating committee is not necessary or cost efficient for a company its size. All directors participate in the consideration of director nominees. The Company does not have a formal nominating committee charter. For at least the past seven years, other than Mr. Russell's nomination and Mr. Borst's nomination as set forth in this Proxy Statement, the Board of Directors has not received a recommendation from a stockholder as to a candidate for nomination to the Board of Directors and therefore has not previously formed a policy with respect to consideration of such a candidate. Among other reasons, in view of the significant investment in the common stock of the Company by Tall Cotton Partners, LLC, of which Mr. Russell is Managing Partner, and his business background, Mr. Rodney I. Smith, Chairman of the Board, recommended Mr. Russell's nomination. In addition to the nomination of Mr. Russell, Mr. Rodney I. Smith, Chairman of the Board recommended Mr. Borst nomination to replace retiring board member Mr. Andrew G. Kavounis. It is the Board's intent to consider any stockholder nominees that may be put forth in the future. The Board has not identified any specific minimum qualifications or skills that it believes must be met by a nominee for director. It is the intent of the Board to review from time to time the appropriate skills and characteristics of directors in the context of the current make-up of the Board and the requirements and needs of the Company at a given time.

In selecting nominees for the Board, the Company considers the diversity of each candidate in regards to the anticipated needs of the Company as a whole so as to leverage the experience and education of each director in achieving the goals of the Company.

The Board of Directors met formally one time during 2012, met informally on a number of occasions, voting on corporate actions, in some cases, by written consent. All of the Company's current directors attended the meetings of the Board of Directors either in person or by telephone.

With the exception of Rodney I. Smith and Ashley B. Smith, who are father and son, respectively, no Director or executive officer of the Company is related by blood, marriage, or adoption to any of the Company's other Directors or executive officers.

Leadership Structure

We believe that the Company is better served by the combined Chairman/CEO type of leadership. By having a strong single leader, a company of our size can adapt to market changes faster with fewer levels of decision makers. It provides a cohesive vision and strategy for the Company and strong execution ability. This type of leadership model helps assure a clear and direct line of communication to the Board of any risks, challenges or other key management issues and opportunities.

Risk Oversight

It is the responsibility of the Board to oversee the assets of the Company and to ensure that appropriate controls are in place to minimize risks associated with such assets. While the Board is tasked with the responsibility to detect potential high

level risks, management is tasked with managing risk on a daily basis. Where possible, management, in conjunction with the Board, has defined high level risk controls to help mitigate the most significant risks to the Company.

Code of Ethics

Our Board of Directors has adopted a Professional Code of Ethics as well as a Finance Code of Professional Conduct. The Professional Code of Ethics covers all employees of the Company and describes the policies and procedures for their ethical conduct. The Finance Code of Professional Conduct covers conduct in the practice of financial management and specifically relates to the Chief Executive Officer, the Chief Financial Officer, Controller and other associates of the finance organization.

Audit Committee

The Company currently has a standing Audit Committee with the members being Messrs. Frederick L. Russell, Jr. and Andrew G. Kavounis. The audit committee did not meet during fiscal 2012 as the committee was not appointed until late 2012. Frederick L. Russell, Jr., is designated the committee's financial expert because of his 25 years experience in the finance industry. Messrs. Russell and Kavounis are considered to be independent when using the definition of the NASDAQ Marketplace Rules.

The Audit Committee discussed our audited financial statements as of and for the year ended December 31, 2012 with the Board of Directors and the Chief Financial Officer.

The Audit Committee reviewed and discussed with representatives of BDO USA, LLP, our independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU §380), as amended. The Audit Committee has also received and reviewed the written disclosures and the letter from BDO USA, LLP required by PCAOB Standards, and has discussed with BDO USA, LLP their independence.

Based on the foregoing reviews and decisions, the Audit Committee and the Board of Directors recommended that the audited financial statements for fiscal year ended December 31, 2012 be included in the Company's Annual Report on Form 10-K for the fiscal year then ended.

Communications Between Stockholders and the Board of Directors

Stockholders and other interested parties wishing to communicate with members of the Board of Directors should send a letter to the Secretary of the Company with instructions as to which director(s) is to receive the communication. The Secretary will forward the written communication to each member of the Board of Directors identified by the stockholder or, if no individual director is identified, to all members of the Board of Directors.

Director Attendance at Annual Meeting

The Company has not in the past required members of the Board of Directors to attend each annual meeting of the stockholders because the formal meetings have been attended by very few stockholders, and have generally been brief and procedural in nature. All of the Company's directors, however, attended the 2012 and 2011 annual meetings of stockholders. The Board will continue to monitor stockholder interest and attendance at future meetings and re-evaluate this policy as appropriate.

Director Compensation

All Directors, whether employee or non-employee, receive \$1,000 per meeting attended as compensation for their services as Directors and are reimbursed for expenses incurred in connection with the performance of their duties. For the twelve months ended December 31, 2012, total payments made to all Directors were \$5,000.

Director Compensation Table for 2012

| 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 | 1,000 | — | — | — | — | — | 1,000 |
| Andrew G. Kavounis (1) | 1,000 | — | — | — | — | — | 1,000 |
| Ashley B. Smith | 1,000 | — | — | — | — | — | 1,000 |
| Wesley A. Taylor | 1,000 | — | — | — | — | — | 1,000 |
| Frederick L. Russell, Jr. | 1,000 | — | — | — | — | — | 1,000 |

(1) Mr. Kavounis held options to purchase 4,000 shares of common stock of the Company as of December 31, 2012, of which all were exercisable as of December 31, 2012.

Executive Officers

The executive officers and a key employee of the Company are:

| Name | Age | Director or Executive Officer Since | Position |
|-------------------|-----|---|---|
| Rodney I. Smith | 74 | 1970 | Chief Executive Officer, President and Chairman of the Board of Directors |
| Ashley B. Smith | 51 | 1994 | Vice President, Director |
| Wesley A. Taylor | 65 | 1994 | Vice President of Administration, Secretary and Directory |
| William A. Kenter | 67 | 2008 | Chief Financial Officer |
| Steve Ott | 46 | 2005 | Vice President of Engineering Smith-Midland - Virginia |

William A. Kenter. Chief Financial Officer. Mr. 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.

Steve Ott. Vice President of Engineering, Smith Midland Corporation (Virginia Operations). Mr. Ott joined the Company in October 2005. Prior to joining the Company, Mr. Ott served as Engineering Manager for the Shockey Precast Group in Fredericksburg, Virginia from June 2001 to October 2005. Mr. Ott worked at Shockey Precast Group's Winchester plant from 1998 to 2001. From 1991 through 1997 Mr. Ott worked in Belgium for a consulting structural engineering firm and for a precast concrete manufacturer. From 1988 to 1991 Mr. Ott worked at Brandow

and Johnston Structural Engineers in Los Angeles California. Mr. Ott holds a Bachelor of Science degree in Structural Engineering from the University of California at San Diego and a Masters of Business Administration from the University of Mary Washington.

For the biographies of Messrs. Rodney I. Smith, Ashley B. Smith, and Wesley A. Taylor, please see “Proposal No. 1—Election of Directors”.

Proposal No. 2

**PROPOSAL TO RATIFY AND APPROVE THE SELECTION OF BDO SEIDMAN, LLP
AS THE INDEPENDENT AUDITORS FOR THE COMPANY FOR THE YEAR ENDING
DECEMBER 31, 2013**

The Company has selected BDO USA, LLP to serve as its independent registered public accounting firm for the year ending December 31, 2013.

The Board unanimously recommends that Stockholders vote FOR the ratification of the selection of BDO USA, LLP as the independent auditors for the Company for the year ended December 31, 2013.

The Audit Committee consists of two independent directors being Messrs. Frederick L. Russell, Jr. and Andrew G. Kavounis. Messrs. Russell and Kavounis are considered to be independent when using the definition of the NASDAQ Marketplace Rules. Mr. Russell acts as the Audit Committee's financial expert based on his 25 years of experience in the investment industry. The Audit Committee has not adopted any blanket pre-approval policies and procedures, instead, the Board will pre-approve the provision by BDO USA, LLP of all audit or non-audit services.

AUDIT COMMITTEE REPORT

The Audit Committee has been appointed by the Board of Directors to assist the Board in fulfilling its responsibility to oversee the integrity of the Company's financial statements, the qualifications, independence, selection and compensation of the Company's registered independent public accounting firm, and the internal control functions as they relate to the preparation of the financial statements. Our Audit Committee was established by the Board of Directors during the fourth quarter of 2012 and is currently drafting an Audit Committee Charter which is expected to be presented to the Board of Directors for their approval prior to the end of the current fiscal year.

Management is responsible for the preparation, presentation and correctness of the Company's financial statements, internal controls over financial reporting and procedures designed to assure compliance with generally accepted accounting procedures. The Company's independent registered public accounting firm, BDO USA, LLP, is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards in the United States of America and issuing a report thereon.

Management has represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed with management and BDO USA, LLP, the Company's independent registered public accountants, the Company's audited financial statements as of and for the year ended December 31, 2012. The Audit Committee also discussed with BDO USA, LLP the matters required to be discussed by Statement on Auditing Standards No. 61 "Communications with Audit Committee", as amended (AICPA, Professional Standards, Vol. 1 AU, Section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. The Audit Committee has received the written disclosures and the letter from BDO USA, LLP required by applicable requirements of the PCAOB regarding BDO USA, LLP's communications with the Audit Committee concerning independence, and the Audit Committee has discussed with BDO USA, LLP its independence. The Audit Committee has also discussed the compatibility of the provision of non-audit services with the independent auditor's independence.

Management has also represented to the Audit Committee that it has completed an assessment of the effectiveness of the Company's internal control over financial reporting, and the Audit Committee has reviewed and discussed with management and BDO USA, LLP the scope and results of their respective assessments of the Company's internal control over financial reporting.

Based on the reports and discussions described in this report, the Audit Committee recommended to the Board of Directors of the Company that the audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 for filing with the Securities and Exchange Commission.

The Audit Committee
Frederick L. Russell, Jr., Chairman
Andrew G. Kavounis

AUDIT AND RELATED FEES

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

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

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

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

All Other Fees. There were no other fees paid to BDO USA, LLP for the two most recent fiscal years.

| | 2012 | 2011 |
|--------------------|------------|------------|
| Audit Fees | \$ 139,650 | \$ 110,600 |
| Tax Fees | 22,850 | 29,606 |
| Audit-Related Fees | 9,800 | 9,500 |
| All Other Fees | \$— | \$— |
| Total Fees | \$ 172,300 | \$ 149,706 |

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth, as of July 16, 2013, certain information concerning ownership of the Company's Common Stock by (i) each person known by the Company, based solely on filings with the Securities and Exchange Commission, to own of record or be the beneficial owner of more than five percent (5%) of the Company's Common Stock, (ii) named executive officers and Directors, and (iii) all Directors, and executive officers as a group. Except as otherwise indicated, the stockholders listed in the table have sole voting and investment powers with respect to the shares indicated.

| Name and Address of Beneficial Owner (1) | Number of Shares Beneficially Owned (2) | Percentage of Class | |
|--|---|---------------------|---|
| Rodney I. Smith (1)(3)(4)(5) | 773,398 | 15.7 | % |
| Ashley B. Smith (1)(3)(4)(6) | 163,417 | 3.4 | % |
| Wesley A. Taylor (1)(7) | 57,383 | 1.2 | % |
| Andrew G. Kavounis (1)(8) | 4,000 | * | |
| Frederick L. Russell (9) | 567,363 | 11.8 | % |
| G.E. Nick Borst (10) | 81,000 | 1.7 | % |
| William A. Kenter (1) | — | — | |
| Tall Cotton Partners, LLC (9) | 567,363 | 11.8 | % |
| Henry Partners, L. P. (11) | 537,000 | 11.2 | % |
| All directors and executive officers as a group (5 persons)(2)(12) | 1,565,561 | 31.3 | % |

* Less than 1%

(1) The address for each of Messrs. Rodney I. Smith, Ashley B. Smith, Wesley A. Taylor, Andrew G. Kavounis and William A. Kenter is c/o Smith-Midland Corporation, P.O. Box 300, 5119 Catlett Road, Midland, Virginia 22728.

(2) Pursuant to the rules and regulations of the Securities and Exchange Commission, shares of Common Stock that an individual or group has a right to acquire within 60 days pursuant to the exercise of options or warrants are deemed to be outstanding for the purposes of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

(3) Ashley B. Smith is the son of Rodney I. Smith. Each of Rodney I. Smith and Ashley B. Smith disclaims beneficial ownership of the other's shares of Common Stock.

(4) Does not include options to purchase 16,000 shares held by Matthew Smith and Roderick Smith and an aggregate of 86,489 shares of Common Stock held by Matthew Smith and Roderick Smith. Matthew Smith and Roderick Smith are sons of Rodney I. Smith, and brothers of Ashley B. Smith. Also, does not include shares held by

Merry Robin Bachetti, sister of Rodney I. Smith and aunt of Ashley B. Smith, for which each of Rodney I. Smith and Ashley B. Smith disclaims beneficial ownership.

(5) Includes 50,000 shares of Common Stock held by Hazel Bowling, former wife of Rodney I. Smith, and mother of Mr. Smith's children. Mr. Smith disclaims beneficial ownership of the shares held by Hazel Bowling. Includes options to purchase 120,000 shares.

- (6) Includes options to purchase 48,800 shares.
- (7) Includes options to purchase 31,000 shares.
- (8) Includes options to purchase 4,000 shares.
- (9) Address of holder is 1801 Libbie Avenue, Suite 201, Richmond, VA 23226. Shares included as beneficially owned by Mr. Russell are shares owned of record by Tall Cotton Partners, as to which shares Mr. Russell has the power to vote and dispose of.
- (10) Address of holder is 7 Harborton Lane, Fredericksburg, VA 22406.
- (11) Address of holder is 255 South 17th Street, Suite 2608, Philadelphia, PA 19103.
- (12) Includes options to purchase 203,800 shares for all directors and executive officers as a group.

EQUITY COMPENSATION PLAN INFORMATION

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans |
|--|---|---|--|
| Equity compensation plans approved by security holders | 425,965 | 1.82 | 500,000 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 425,965 | 1.82 | 500,000 |

Compensation of Executive Officers

The following table sets forth the compensation paid by the Company for services rendered for each of the last two completed fiscal years for the principal executive officer of the Company and all other executive officers (the “named executive officers”) whose compensation exceeded \$100,000 during 2012:

Summary Compensation Table

| Name and Principal Position | Year | Salary (\$)(1) | Bonus (\$)(2) | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive Compensation (\$) | Non-Qualified Deferred Compensation Earning (\$) | All Other Compensation (\$)(3)(4) | Total (\$) |
|-----------------------------|------|----------------|---------------|-------------------|--------------------|--|--|-----------------------------------|------------|
|-----------------------------|------|----------------|---------------|-------------------|--------------------|--|--|-----------------------------------|------------|

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| | | | | | | | | | |
|---|------|---------|---------|---|---|---|---|---------|---------|
| Rodney I. Smith | 2012 | 92,348 | — | — | — | — | — | 100,000 | 192,348 |
| President, Chief Executive Officer and Chairman of the Board. | 2011 | 106,622 | 144,408 | — | — | — | — | 100,000 | 351,030 |
| Ashley B. Smith | 2012 | 131,877 | — | — | — | — | — | 1,000 | 132,877 |
| Vice President | 2011 | 129,810 | 157,379 | — | — | — | — | 1,258 | 288,447 |

(1) Represents salaries and commissions paid in 2012 and 2011 for services provided by each named executive officer serving in the capacity listed.

(2) Represents amounts paid in 2011, but accrued in the prior year, for annual performance-based bonuses related to operations in 2010.

(3) Mr. Rodney Smith was paid \$99,000 in 2012 and 2011, 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”. Mr. Rodney Smith received director’s compensation in the amount of \$1,000 for the years 2012 and 2011 and \$650 in 2010.

(4) Mr. Ashley Smith received director’s compensation in the amount of \$1,000 for the years 2012 and 2011.

Outstanding Equity Awards At Fiscal Year-End 2012

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, 2012.

| 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 | — | 0.83 | 12/16/2013 |
| | 20,000 | — | 2.52 | 09/29/2015 |
| | 20,000 | — | 2.25 | 05/21/2016 |
| | 20,000 | — | 2.15 | 05/21/2017 |
| | 40,000 | — | 1.21 | 06/29/2018 |
| TOTAL | 120,000 | — | | |
| Ashley B. Smith | 10,000 | — | 0.83 | 12/16/2013 |
| | 10,000 | — | 2.52 | 09/29/2015 |
| | 7,000 | — | 2.25 | 05/21/2016 |
| | 7,000 | — | 2.15 | 05/21/2017 |
| | 14,800 | — | 1.21 | 06/29/2018 |
| TOTAL | 48,800 | — | | |
| TOTAL | 168,800 | — | | |

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

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

The Company entered into a four-year Employment Agreement with Rodney I. Smith, its current President and Chief Executive Officer, effective as of September 30, 2002. The term of employment automatically renews commencing on the date one year after the effective date, and on an annual basis thereafter, for an additional one year, unless earlier terminated or not renewed as provided for therein. The agreement provides for an annual base salary of \$99,000 (“Base Salary”), which will be reviewed at least annually and adjusted from time to time at the determination of the Board of Directors. It also provides for an

annual royalty fee of \$99,000 payable as consideration for Mr. Smith's assignment to the Company of all of his rights, title and interest in and to the Patents (as defined in the agreement). Payment of the royalty continues only for as long as the Company is using the inventions underlying the Patents. Mr. Smith is also entitled to performance-based bonus as determined by the Board each calendar year.

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

In the event Mr. Smith's employment by the Company is terminated as a result of Mr. Smith's (i) death, his estate shall be entitled to a lump sum payment of one times the combined Base Salary and bonus, and certain other accrued and unpaid amounts, or (ii) disability, Mr. Smith shall be entitled to Base Salary and bonus for a period of one year commencing with the date of termination, and all other unpaid accrued amounts.

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

The employment agreement also contains non-competition and non-solicitation covenants for one year following Mr. Smith's termination of employment for any reason.

On December 31, 2008, the board of directors approved an amendment to the Employment Agreement to include changes required to be in compliance with Section 409A of the Internal Revenue Code, nonqualified deferred compensation.

Section 16(a) Beneficial Ownership Reporting Compliance

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

Based solely on a review of the copies of such forms furnished to the Company and written representations from the executive officers and Directors, the Company believes that all Section 16(a) filing requirements applicable to its executive officers, Directors and greater than ten per cent (10%) beneficial owners were satisfied during 2012.

Proposal No. 3

ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

As required by Section 14A of the Securities Exchange Act of 1934, the Board of Directors is providing the shareholders of the Company with an advisory vote to approve the officer compensation of its named executive officers. This advisory vote is commonly known as shareholder "say-on-pay". The Company and its Board of Directors fully supports this new requirement and hopes that each shareholder will take advantage of this opportunity to make their opinion known.

Please review the Compensation of Executive Officers section along with the Summary Compensation Table located in the prior section for the salaries, bonuses and equity compensation for the named executive officers of the Company. We believe the salaries of the named executive officers are reasonable and necessary to attract and maintain competent personnel to manage the Company in a responsible and profitable manner.

We are asking our shareholders to indicate their support for the compensation of the named executive officers as described in this proxy with a vote "For" the following resolution:

"Resolved, that our shareholders approve on an advisory basis, the compensation of our named executive officers, as disclosed in our proxy statement for the 2013 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the SEC.

While this vote is non-binding, our Compensation Committee will give this vote careful consideration when setting policy and making decisions regarding the salaries and other compensation arrangements for the named executive officers of the Company.

Proposal No. 4

FREQUENCY OF ADVISORY VOTE REGARDING EXECUTIVE COMPENSATION

The Board of Directors has, pursuant to the requirements of Section 14A of the Securities Exchange Act of 1934, is providing the shareholders of the Company an advisory vote on the frequency of say-on-pay votes for the named executive officers of the Company. This advisory vote allows the shareholders to decide how often they would prefer to vote on the say-on-pay provisions as described above. The choice of votes for this proposal will be one, two, three years or abstention from voting.

The Board of Directors has closely reviewed the voting options available and has come to the conclusion that the advisory vote on this proposal would best be held every third year. As this vote is advisory in nature, the Board of Directors will carefully weigh the outcome of the vote when making its final decision as to how often to establish the voting policy.

We are asking our shareholders to vote for a "Three Year" frequency on future say-on-pay advisory votes for compensation of the named executive officers of the Company.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BDO USA, LLP acted as our independent registered public accounting firm for the fiscal year ended December 31, 2012. A representative of BDO USA, LLP plans to be present at the Annual Meeting with the opportunity to make a statement if he desires to do so, and will be available to respond to appropriate questions.

VOTING AT MEETING

The Board of Directors has fixed July 16, 2013 as the record date for the determination of Stockholders entitled to vote at this meeting. On or about that date, 4,794,962 shares of Common Stock were outstanding and entitled to vote.

SOLICITATION OF PROXIES

The cost of solicitation of proxies will be borne by the Company. In addition to the solicitation of proxies by mail, officers and employees of the Company may solicit in person or by telephone. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to beneficial owners.

REVOCAION OF PROXY

Subject to the terms and conditions set forth herein, all proxies received by the Company will be effective, notwithstanding any transfer of the shares to which such proxies relate, unless prior to the Annual Meeting, the Company receives a written notice of revocation signed by the person who, as of the record date, was the registered holder of such shares. The Notice of Revocation must indicate the certificate number or numbers of the shares to which such revocation relates and the aggregate number of shares represented by such certificate(s).

DEADLINE FOR SUBMISSION OF STOCKHOLDER PROPOSALS FOR THE 2013 ANNUAL MEETING

Pursuant to SEC Rule 14a-8, in order to be included in proxy material for next year's annual meeting, Stockholders' proposed resolutions must be received by the Company no later than April 3, 2014. In addition, the by-laws of the Company require that we be given advance notice of stockholder nominations for election to the Board of Directors and of other matters which stockholders wish to present for action at an annual meeting of stockholders. The required notice must be delivered to the Secretary of the Company at our principal offices not less than 60 days and not more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. These requirements are separate from and in addition to the SEC requirements that a stockholder must meet in order to have a stockholder proposal included in the Company's proxy statement.

Pursuant to our by-laws, if notice of any stockholder proposal is received after July 5, 2014, then the notice will be considered untimely and we are not required to present such proposal at the Annual Meeting to be held in 2014. If the Board of Directors chooses to present a proposal submitted after July 5, 2014 at next year's Annual Meeting, then the persons named in proxies solicited by the Board of Directors for such Annual Meeting may exercise discretionary voting power with respect to such proposal.

HOUSEHOLDING OF PROXY MATERIAL

Some banks, brokers and other nominee record holders may have been sent to multiple stockholders in your household. If you would like to obtain another copy of the proxy statement, proxy card or annual report to

stockholders, please contact by mail Secretary, Smith-Midland Corporation, 5119 Catlett Road, Midland, Virginia 22728. If you want to receive separate copies of our proxy statements, proxy card and annual reports in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker, or other nominee record holder.

ANNUAL REPORT ON FORM 10-K

An Annual Report on Form 10-K as filed with the SEC for the year ending December 31, 2012, containing financial and other information about the Company, is being mailed to all stockholders of record as of the Record Date, at the Company's cost.

MISCELLANEOUS

The management does not know of any other matter that may come before the Annual Meeting. However, if any other matters are properly presented to the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

By Order of the Board of Directors:

/s/ Rodney I. Smith

Rodney I. Smith
Chairman and Chief Executive Officer
Midland, Virginia

Dated: August 1, 2013

THE MANAGEMENT HOPES THAT STOCKHOLDERS WILL ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, DATE, SIGN, AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. PROMPT RESPONSE WILL GREATLY FACILITATE ARRANGEMENTS FOR THE MEETING AND YOUR COOPERATION WILL BE APPRECIATED. STOCKHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR STOCK PERSONALLY EVEN THOUGH THEY HAVE SENT IN THEIR PROXIES.
