

SMITH MIDLAND CORP  
Form DEF 14A  
July 15, 2005

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**SMITH-MIDLAND CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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(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):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**SMITH-MIDLAND CORPORATION**

**5119 Catlett Road**

**Midland, Virginia 22728**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be held on Thursday, August 18, 2005**

TO THE STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of SMITH-MIDLAND CORPORATION (the Company), a Delaware corporation, will be held on Thursday, August 18, 2005 at 5:00 pm at the Company's Corporate Headquarters, located at 5119 Catlett Road, Midland, Virginia 22728 for the following purposes:

1. To elect four (4) members of the Board of Directors;
2. To ratify and approve the engagement of BDO Seidman, LLP as independent auditors for the Company for the year ending December 31, 2005; and
3. 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 June 30, 2005 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.

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 postage-prepaid 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

/s/ Rodney I. Smith  
Rodney I. Smith  
President

Midland, Virginia  
July 11, 2005

**SMITH-MIDLAND CORPORATION**

**5119 Catlett Road**

**Midland, Virginia 22728**

**PROXY STATEMENT**

**For the Annual Meeting of Stockholders**

**To be held on Thursday, August 18, 2005**

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 Thursday, August 18, 2005 at 5:00 PM at the Company's Corporate Headquarters, located at 5119 Catlett Road, Midland, Virginia 22728 and at any adjournment or adjournments thereof.

Stockholders of record at the close of business on June 30, 2005 will be entitled to vote at the Annual Meeting or any adjournment thereof. On or about that date, 4,500,215 shares of the Company's Common Stock, \$.01 par value per share (the 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. Directors will be elected by plurality vote. Other proposals to be voted upon by the Stockholders of the Company require the votes of a majority of shares of Common Stock present at the Annual Meeting for passage. 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 will be treated as shares present and entitled to vote for purposes of any matter requiring the affirmative vote of a majority or other proportion of the shares present and entitled to vote. Accordingly, abstentions will have the same effect as a vote against the proposal. With respect to shares relating to any proxy as to which a broker non-vote is indicated on a proposal, those shares will not be considered present and entitled to vote with respect to any such proposal. Thus, a broker non-vote will not affect the outcome of the voting on a proposal. 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.

An Annual Report, containing the Company's audited financial statements for the years ended December 31, 2004 and December 31, 2003, is being mailed to all stockholders entitled to vote. This Proxy Statement and the accompanying proxy were first mailed to Stockholders on or about July 15, 2005.

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

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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 ratification of the independent auditors.

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 #1**

**ELECTION OF DIRECTORS**

Four 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 or 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 direction 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 four nominees for Director.**

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

Name	Age	Director Officer	
		Since	Position
Rodney I. Smith	66	1970	Chief Executive Officer, President and Chairman of the Board of Directors
Ashley B. Smith	42	1994	Vice President of Sales and Marketing and Director
Wesley A. Taylor	57	1994	Vice President of Administration and Director
Andrew Kavounis	80	1995	Director

**Background**

The following is a brief summary of the background of each Director and 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. Mr. Smith is the past President of the National Precast Concrete Association. Mr. Smith has served on the Board of Trustees of Bridgewater College in Bridgewater, Virginia since 1986.

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

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

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

## GENERAL INFORMATION RELATING TO THE BOARD OF DIRECTORS AND OFFICERS

### Meetings and Committees of the Board of Directors

The Board of Directors has a Compensation Committee. The Compensation Committee consists of Andrew Kavounis and Wesley A. Taylor. The Compensation Committee was established to set and administer the policies that govern annual compensation for the Company's executives. 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 officers, employees, consultants and directors of the Company, including, but not limited to, the grant of options to purchase the Common Stock pursuant to the Company's 2004 Stock Option Plan or other plans which may be established. The Compensation Committee did not meet during 2004. Instead, the Board of Directors as a whole addressed these matters.

The Company does not have an audit committee, a standing nominating committee or a committee performing similar functions.

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, including Andrew Kavounis, who is independent as defined by the Nasdaq Marketplace Rules. The Company does not have a formal nominating committee charter. For at least the past four years, 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. However, 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. Given the current composition, stability and size of the Board of Directors of the Company, the fact that all director-nominees are standing for re-election and that the Board has received no nominee candidates from stockholders, the Board has not considered other candidates for election at the upcoming annual meeting of stockholders.

The Board of Directors met formally (2) times during 2004 and met informally on a number of occasions, voting on corporate actions by written consent. All of the Company's current directors attended all of 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.

#### **Communication Between Stockholders and the Board of Directors**

Stockholders 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. 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 very brief and procedural in nature. All of the Company's directors, however, attended the 2004 annual meeting of stockholders. The Board will continue to monitor stockholder interest and attendance at future meetings and re-evaluate this policy as appropriate.

#### **Compensation of Directors**

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

**Compensation of Executive Officers**

The following table sets forth the compensation paid by the Company for services rendered for the last three completed fiscal years to the executive officers of the Company and its subsidiaries (the named executive officers), whose cash compensation exceeded \$100,000 during 2004:

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			
		Salary \$	Bonus \$	Other Compensation \$	Awards Restricted Stock Award \$	Securities Under- Lying Options/ SARs (#)	Payouts LTIP Payouts \$	All Other Compensation \$
Rodney I. Smith President, Chief Executive Officer and Chairman of the Board.	2004	92,660	0	258,000**	0	0	0	0
	2003	82,192	31,560*	258,000**	0	20,000	0	0
	2002	170,962	30,000*	159,000**	0	0	0	0
Guy M. Schuch Chief Operating Officer Smith Midland Virginia	2004	108,224	0	0	0	0	0	0
	2003	111,250	0	0	0	0	0	0
	2002	111,250	29,933*	0	0	0	0	0

\* Represents amounts paid for an annual performance-based bonus, which were approved by the Board of Directors.

\*\* For 2004, 2003 and 2002 \$159,000, 159,000 and \$159,081, respectively, of the amount shown was for a non-cash (except for the portion related to the payment of taxes) payment to Rodney Smith to pay down an officer receivable due the Company. The receivable originated in 1968 and 1969, prior to the Company going public, as two \$30,000 loans to Rodney Smith, in lieu of salary, during two less profitable years. The current amount owed is equal to original \$60,000 principal plus accrued interest. See Employment Contracts and Termination of Employment and Change in Control Arrangements. In 2004 and 2003, \$99,000 was paid to Mr. Smith for an annual royalty fee paid under his employment agreement.

**Option Grants in Last Fiscal Year**

No options were granted during 2004 to any employees, executive officers, or directors.

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

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Shares Underlying		Value of Unexercised	
			Unexercised Options		In-the-Money Options	
			at Year End (#)		at Year End \$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Rodney I. Smith	0	0	166,667	13,333	25,283	1,867
Guy Schuch	0	0	45,000	0	8,663	0

- (1) Value is based on the closing price of the Company's Common Stock on December 31, 2004 (\$0.97), the last trading day of 2004, less the option exercise price.

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

The Company entered into a four-year Employment Agreement with Rodney I. Smith, its current President and Chief Executive Officer, effective as of September 30, 2002. The term of employment automatically renews commencing on the date one year after the effective date, and on an annual basis thereafter, for an additional one year, unless earlier terminated or not renewed as provided for therein. The agreement provides for an annual base salary of \$99,000 ( Base Salary ), which will be reviewed at least annually and adjusted from time to time at the determination of the Board of Directors. It also provides for an annual royalty fee of \$99,000 payable as consideration for Mr. Smith's assignment to the Company of all of his rights, title and interest in and to the Patents (as defined in the agreement). Payment of the royalty continues only for as long as the Company is using the inventions underlying the non-expired Patents. Mr. Smith is also entitled to bonuses as follows (the Bonus ): (i) a performance-based bonus as determined by the Board each calendar year, and (ii) a \$27,000 quarterly bonus equal to one-twentieth of the then outstanding balance on the loan (the Loan ) made by the Company to Mr. Smith in the aggregate amount of

\$540,000, and the unpaid interest accrued thereon during the quarter, and a cash amount which reimburses Mr. Smith for certain taxes payable by him as a result of such quarterly bonus. Payment of the Bonuses that are equal to one-twentieth of the Loan and the quarterly interest thereon are paid in the form of forgiveness of such principal and interest. Once the Loan has been fully repaid, no further quarterly Bonus in respect of the Loan shall be payable.

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

In the event Mr. Smith's employment by the Company is terminated as a result of Mr. Smith's (i) death, his estate shall be entitled to a lump sum payment of one times the combined Base Salary and Bonus, and certain other accrued and unpaid amounts, or (ii) disability, Mr. Smith shall be entitled to Base Salary and Bonus for a period of one year commencing with the date of termination, and all other unpaid accrued amounts. In either of such cases the outstanding principal balance of the Loan, and any accrued interest thereon, shall be forgiven in full, and payment shall be made to reimburse for taxes payable as a result thereof.

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

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

#### **Certain Relationships and Related Transactions.**

At December 31, 2004, the Company owned an unsecured note for approximately \$256,594 receivable from Mr. Rodney I. Smith, the Company's President, accruing interest at a rate of 6% per annum. This note was extended by the Board of Directors at their July 22, 2002 meeting to mature on December 31, 2007. The Board also approved the use of bonuses to pay off the loan and any applicable taxes (more fully described in Item 10). Principal received on the note was \$106,476 for the year ended December 31, 2004 and \$100,449 the year ended December 31, 2003. Total interest received on this note was approximately \$21,784 and \$27,811 for the years ended December 31, 2004 and 2003, respectively.

### BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth, as of May 31, 2005, certain information concerning ownership of the Company's Common Stock by (i) each person known by the Company to own of record or be the beneficial owner of more than five percent (5%) of the Company's Common Stock, (ii) named Executive Officers and Directors, and (iii) all Directors and Executive Officers as a group. Except as otherwise indicated, the Stockholders listed in the table have sole voting and investment powers with respect to the shares indicated.

Name and Address of Beneficial Owner(1)	Number of Shares Beneficially Owned(2)	Percentage of of Class
Rodney I. Smith (1)(3)(4)(5)	782,465	16.8
Ashley B. Smith(1)(3)(4)(6)	142,400	3.1
Wesley A. Taylor(1)(7)	49,583	1.1
Andrew Kavounis(1)(8)	4,000	*
Guy Schuch (1)(9)	45,000	1.0
AL Frank Asset Management, Inc. (10)	654,700	14.5
All directors, executive officers and key employees as a group (6 persons)(2)(11)	1,023,448	21.2

\* Less than 1%

- (1) The address for each of Messrs. Rodney I. Smith, Ashley B. Smith, Taylor, Kavounis, and Schuch is c/o Smith-Midland Corporation, P.O. Box 300, 5119 Catlett Road, Midland, Virginia 22728.
- (2) Pursuant to the rules and regulations of the Securities and Exchange Commission, shares of Common Stock that an individual or group has a right to acquire within 60 days pursuant to the exercise of options or warrants are deemed to be outstanding for the purposes of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.
- (3) Ashley B. Smith is the son of Rodney I. Smith. Each of Rodney I. Smith and Ashley B. Smith disclaims beneficial ownership of the other's shares of Common Stock.
- (4) Does not include options to purchase 12,267 shares held by Matthew Smith and an aggregate of 77,972 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 100,000 shares of Common Stock that have been deposited into an irrevocable trust (the "Trust") for the benefit of Hazel Smith, the income beneficiary of the Trust and former wife of Rodney I. Smith, and mother of Mr. Smith's children. Mr. Smith is the trustee of the Trust and, as such, may vote the shares, as he deems fit. Includes options to purchase 166,667 shares.
- (6) Includes options to purchase 52,783 shares.
- (7) Includes options to purchase 48,583 shares.

- (8) Includes options to purchase 4,000 shares.
- (9) Includes options to purchase 35,000 shares.
- (10) Address of holder is 32392 Coast Highway, Suite 260, Laguna Beach, CA 92651
- (11) Includes options to purchase 317,033 shares for all directors, executive officers and key employees as a group.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	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	533,825	\$ 1.01	500,000
Equity compensation plans not approved by security holders	0	\$ 0	0
Total	533,825	\$ 1.01	500,000

**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 2004.

**Proposal #2**

**RATIFICATION OF AUDITORS**

BDO Seidman, LLP ( BDO ) acted as our independent registered public accounting firm for the years 2004 and 2003. BDO has also been selected to act as our independent auditors for 2005. The persons named in the enclosed proxy will vote to ratify the selection of BDO as independent auditors for the year ending December 31, 2004 unless otherwise directed by the Stockholders. A representative of BDO is expected to be present at the Annual Meeting, and will have the opportunity to make a statement and answer questions from Stockholders if he or she so desires.

The aggregate fees billed for each of the last two fiscal years for professional services rendered by BDO, 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 set forth below.

**Audit Fees.** The aggregate fees billed by BDO for the years ended December 31, 2004 and 2003 for professional services rendered for the audit of the annual financial statements and review of the unaudited financial statements included in Forms 10-QSB of the Company were \$133,000 and \$85,000, respectively.

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

**Tax Fees.** The aggregate fees billed by BDO in 2004 and 2003 for professional services rendered for tax compliance, tax advice, and tax planning were \$32,000 and \$12,000, respectively.

**All Other Fees.** There were no fees billed for the category All Other Fees.

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

The Board has determined that the provision of services by BDO other than for audit-related services is compatible with maintaining the independence of BDO as the Company's independent accountants.

**The Board of Directors recommends that Stockholders vote FOR approval of BDO Seidman, LLP as the Company's Independent Auditors.**

#### VOTING AT MEETING

The Board of Directors has fixed June 30, 2005 as the record date for the determination of Stockholders entitled to vote at this meeting. On or about that date, 4,500,215 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.

**REVOCATION 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).

**STOCKHOLDER PROPOSALS**

In order to be included in proxy material for next year's annual meeting, Stockholders proposed resolutions must be received by the Corporation no later than March 14, 2006. Stockholders who intend to submit a proposal at next year's annual meeting without inclusion of such proposal in the Company's proxy materials are required to provide notice of such proposal to the Company not later than June 20, 2006 nor earlier than May 19, 2006. The Corporation suggests that proponents submit their proposals by certified mail, return receipt requested, and addressed to the President of the Corporation.

**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  
President  
Midland, Virginia

Dated: July 11, 2004

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.

**SMITH-MIDLAND CORPORATION**

**PROXY FOR ANNUAL MEETING**

**TO BE HELD ON THURSDAY, AUGUST 18, 2005**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Rodney I. Smith and Wesley A. Taylor with full power of substitution to vote for and on behalf of the undersigned at the Annual Meeting of Stockholders of SMITH-MIDLAND CORPORATION, to be held at the Company's Corporate Headquarters, located at 5119 Catlett Road, Midland, Virginia 22728, on Thursday, August 18, 2005 at 5:00 PM, and at any adjournment or adjournments thereof, upon and with respect to all shares of the Common Stock of the Company upon and with respect to which the undersigned would be entitled to vote and act if personally present. The undersigned hereby directs the said Rodney I. Smith and Wesley A. Taylor to vote in accordance with their judgment on any matters which may properly come before the meeting, all as indicated in the Notice of the meeting, receipt of which is hereby acknowledged, and to act on the following matters set forth in such Notice as specified by the undersigned:

**If no direction is made, this Proxy will be voted FOR election of Directors and FOR proposal 2.**

(1) Proposal to elect four (4) members of the Board of Directors of the Company.       FOR all nominees listed below (except as marked to the contrary below)       WITHHOLD AUTHORITY to vote for all nominees listed below

**INSTRUCTION: To withhold authority for any individual nominee STRIKE such nominee's name from the list below.**

Rodney I. Smith, Ashley B. Smith, Wesley A. Taylor, Andrew Kavounis

(2)  FOR       AGAINST       ABSTAIN      Proposal to ratify and approve the selection of BDO Seidman, LLP as the independent auditors of the Company for the year ending December 31, 2005.

**MANAGEMENT RECOMMENDS A VOTE FOR PROPOSALS 1 and 2.**

Do you plan to attend the meeting?       YES       NO

(3) In their discretion to transact such other business as may properly come before the meeting or any adjournment or adjournments thereof. The shares represented by this proxy will be voted for and in favor of the items set forth above unless a contrary specification is made.

Dated

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Please mark, date, sign and return the proxy card promptly using the enclosed envelope. Sign exactly as your name appears hereon.

NOTE: When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If the person named on the stock certificate is deceased, please submit evidence of your authority. If a corporation, sign in full corporate name by an authorized officer and indicate the office held. If a partnership, please sign in the partnership name by authorized person.

Signature

Signature, if held jointly

Printed Name

Current Address