BIO IMAGING TECHNOLOGIES INC
Form DEF 14A
April 16, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

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 ¨

Check the appropriate box:

¨	Preliminary Proxy Statement	¨	**Confidential, for Use of the Commission Only**
x	Definitive Proxy Statement		**(as permitted by Rule 14a-6(e)(2))**
¨	Definitive Additional Materials		
¨	Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12		

Bio-Imaging Technologies, Inc.

(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.

¨ 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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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

BIO-IMAGING TECHNOLOGIES, INC.

826 Newtown-Yardley Road

Newtown, Pennsylvania 18940-1721

To Our Stockholders:

You are most cordially invited to attend the 2004 Annual Meeting of Stockholders of Bio-Imaging Technologies, Inc. at 11:00 A.M., local time, on Wednesday, May 12, 2004, at the Sheraton Bucks County Hotel, 400 Oxford Valley Road, Langhorne, Pennsylvania.

The Notice of Meeting and Proxy Statement on the following pages describe the matters to be presented to the meeting.

It is important that your shares be represented at this meeting to assure the presence of a quorum. Whether or not you plan to attend the meeting, we hope that you will have your stock represented by signing, dating and returning your proxy in the enclosed envelope, which requires no postage if mailed in the United States, *as soon as possible*. Your stock will be voted in accordance with the instructions you have given in your proxy.

Thank you for your continued support.

Sincerely,

Mark L. Weinstein
President and Chief Executive Officer

BIO-IMAGING TECHNOLOGIES, INC.

826 Newtown-Yardley Road

Newtown, Pennsylvania 18940-1721

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 12, 2004

The Annual Meeting of Stockholders (the Meeting) of Bio-Imaging Technologies, Inc., a Delaware corporation, will be held at the Sheraton Bucks County Hotel, 400 Oxford Valley Road, Langhorne, Pennsylvania, on Wednesday, May 12, 2004, at 11:00 A.M., local time, for the following purposes:

(1) To elect eight directors to serve until the next Annual Meeting of Stockholders and until their respective successors shall have been duly elected and qualified;

(2) To ratify the appointment of PricewaterhouseCoopers LLP as independent auditors for the year ending December 31, 2004; and

(3) To transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Holders of our Common Stock, $0.00025 par value per share, of record at the close of business on April 7, 2004 are entitled to notice of and to vote at the Meeting, or any adjournment or adjournments thereof. A complete list of such stockholders will be open to the examination of any stockholder at our principal executive offices at 826 Newtown-Yardley Road, Newtown, Pennsylvania for a period of 10 days prior to the Meeting and will be available for examination at the Meeting. The Meeting may be adjourned from time to time without notice other than by announcement at the Meeting.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE. THE PROMPT RETURN OF PROXIES WILL ENSURE A QUORUM AND SAVE THE COMPANY THE EXPENSE OF FURTHER SOLICITATION. EACH PROXY GRANTED MAY BE REVOKED BY THE STOCKHOLDER APPOINTING SUCH PROXY AT ANY TIME BEFORE IT IS VOTED. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOUR SHARES ARE REGISTERED IN DIFFERENT NAMES OR ADDRESSES, EACH SUCH PROXY CARD SHOULD BE SIGNED AND RETURNED TO ENSURE THAT ALL OF YOUR SHARES WILL BE VOTED.

By Order of the Board of Directors

William J. Thomas
Secretary

Newtown, Pennsylvania

April 16, 2004

Our 2003 Annual Report accompanies this Proxy Statement.

BIO-IMAGING TECHNOLOGIES, INC.

826 Newtown-Yardley Road

Newtown, Pennsylvania 18940-1721

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Bio-Imaging Technologies, Inc. (Bio-Imaging , we , us or our), of proxies to be voted at the Annual Meeting of Stockholders of Bio-Imaging to be held on Wednesday, May 12, 2004 (the Meeting), at the Sheraton Bucks County Hotel, 400 Oxford Valley Road, Langhorne, Pennsylvania, at 11:00 A.M., local time, and at any adjournment or adjournments thereof. Holders of record of Common Stock, $0.00025 par value (Common Stock), as of the close of business on April 7, 2004 will be entitled to notice of and to vote at the Meeting and any adjournment or adjournments thereof. As of that date, there were 10,774,889 shares of Common Stock issued and outstanding and entitled to vote. Each share of Common Stock is entitled to one vote on any matter presented at the Meeting. The aggregate number of votes entitled to be cast at the Meeting is 10,774,889.

If proxies in the accompanying form are properly executed and returned, the shares of Common Stock represented thereby will be voted in the manner specified therein. If not otherwise specified, the shares of Common Stock represented by the proxies will be voted: (i) FOR the election of the eight nominees named below as directors; (ii) FOR the ratification of the appointment of PricewaterhouseCoopers LLP, as independent auditors for the year ending December 31, 2004; and (iii) in the discretion of the persons named in the enclosed form of proxy, on any other proposals which may properly come before the Meeting or any adjournment or adjournments thereof. Any stockholder who has submitted a proxy may revoke it at any time before it is voted, by written notice addressed to and received by the Secretary of Bio-Imaging, by submitting a duly executed proxy bearing a later date or by electing to vote in person at the Meeting. The mere presence at the Meeting of the person appointing a proxy does not, however, revoke the appointment.

The presence, in person or by proxy, of holders of shares of Common Stock having a majority of the votes entitled to be cast at the Meeting shall constitute a quorum. The affirmative vote by the holders of a plurality of the shares of Common Stock represented at the Meeting is required for the election of directors, provided a quorum is present in person or by proxy. Provided a quorum is present in person or by proxy, all other actions proposed herein, other than the election of directors, may be taken upon the affirmative vote of stockholders possessing a majority of the voting power represented at the Meeting.

Abstentions are included in the shares present at the Meeting for purposes of determining whether a quorum is present, and are counted as a vote against for purposes of determining whether a proposal is approved. Broker non-votes (when shares are represented at the Meeting by a proxy specifically conferring only limited authority to vote on certain matters and no authority to vote on other matters) are included in the determination of the number of shares represented at the Meeting for purposes of determining whether a quorum is present but are not counted for purposes of determining whether a proposal has been approved and thus have no effect on the outcome.

This Proxy Statement, together with the related proxy card, is being mailed to our stockholders on or about April 16, 2004. The Annual Report to Stockholders of Bio-Imaging for the fiscal year ended December 31, 2003 (Fiscal 2003), including financial statements (the Annual Report), is being mailed together with this Proxy Statement to all stockholders of record as of April 7, 2004. In addition, we have provided brokers, dealers, banks, voting trustees and their nominees, at our expense, with additional copies of the Annual Report so that such record holders could supply such materials to beneficial owners as of April 7, 2004.

ELECTION OF DIRECTORS

At the Meeting, eight directors are to be elected (which number shall constitute our entire Board of Directors) to hold office until the next Annual Meeting of Stockholders and until their successors shall have been elected and qualified.

It is the intention of the persons named in the enclosed form of proxy to vote the stock represented thereby, unless otherwise specified in the proxy, for the election as directors of the persons whose names and biographies appear below. All of the persons whose names and biographies appear below are at present directors of Bio-Imaging. In the event any of the nominees should become unavailable or unable to serve as a director, it is intended that votes will be cast for a substitute nominee designated by the Board of Directors. The Board of Directors has no reason to believe that the nominees named will be unable to serve if elected. Each of the nominees has consented to being named in this Proxy Statement and to serve if elected.

The following are the nominees for election to the Board of Directors and, except for Mr. Davidoff, all are current members of the Board of Directors:

Name	Age	Served as a Director Since	Position with the Company
Mark L. Weinstein	51	1998	President, Chief Executive Officer and Director
James A. Bannon, Pharm.D	50	2002	Director
Jeffrey H. Berg, Ph.D.	60	1994	Director
E. Martin Davidoff, CPA, Esq.	52		
David E. Nowicki, D.M.D.	52	1998	Chairman of the Board and Director
David M. Stack	52	2000	Director
Paula B. Stafford	39	2001	Director
James A. Taylor, Ph.D.	64	1994	Director

The following director declined to run for re-election and will no longer be a director of Bio-Imaging at the conclusion of the Meeting, as his term as a director will end contemporaneously with the election of directors at the Meeting:

Name	Age	Served as a Director Since	Position with the Company
Allan Rubenstein, M.D.	59	2000	Director

The principal occupations and business experience, for at least the past five years, of each director and nominee is as follows:

Mr. Weinstein has been a Director of Bio-Imaging since March 1998 and has served as the President and Chief Executive Officer of Bio-Imaging since February 1998. Mr. Weinstein also served as the Chief Financial Officer of Bio-Imaging from January 31, 2000 to February 18, 2003. Mr. Weinstein joined Bio-Imaging in June 1997 as Senior Vice President, Sales and Marketing and was appointed Interim Chief Executive Officer in December 1997. Prior to joining Bio-Imaging, from September 1996 to May 1997, he was the Chief Operating Officer of Internet Tradeline, Inc., an internet-based electronic solutions provider. From July 1991 to August 1996, Mr. Weinstein worked for Medical Economics Company, an international health care information company and wholly-owned division of The Thomson Corporation. He held several senior management positions at Medical Economics Company with his last position being President and Chief Operating Officer of the International Group.

Dr. Bannon has been a Director of Bio-Imaging since February 2002. He has served as Corporate Senior Vice President, Covance Inc. and President, Clinical Development, Periapproval and Central Diagnostics Services since May 2002. He is currently Corporate Senior Vice President, Covance Inc. and President, Late Stage Development Services, which includes Clinical Development, Periapproval and IVRS services. Prior to that, Dr. Bannon was Corporate Vice President, General Manager, Covance Periapproval Services Inc. (CPS), a subsidiary of Covance Inc., since 1995. Dr. Bannon has more than 23 years experience in healthcare and more than 20 years in medical research with an emphasis on periapproval research. Prior to joining CPS, Dr. Bannon held various operational positions with the Philadelphia Association for Clinical Trials. He received his Bachelor of Science in Pharmacy and Doctor of Pharmacy degrees at the Philadelphia College of Pharmacy and Science (now the University of Sciences of Philadelphia).

Dr. Berg has been a Director of Bio-Imaging since January 1994, and is currently the Director of Medical Technology for Crystal Research Associates. He was an analyst for HCFP/Brenner Securities from May 2002 to January 2004 and has been President of Health Care Insights, a healthcare research and consulting firm, since March 1991. From September 1995 to May 2002, Dr. Berg was a senior research analyst for MH Meyerson, a brokerage firm. While President of Health Care Insights, from January 1994 to June 1995, Dr. Berg also served as a financial analyst for GKN Securities Corp. (GKN), an investment banking firm which served as the underwriter in the Company s June 1992 public offering, and was a financial analyst from March 1992 until December 1992 for The Chicago Corporation, a brokerage firm. Dr. Berg also is a member of the Board of Directors of Dexterity Surgical, Inc., a publicly traded medical supply company (DEXT.OB), and is a member of the Compensation Committee of Dexterity Surgical.

Mr. Davidoff is a current nominee of the Board of Directors and has operated his own tax practice, as both a certified public accountant and tax attorney, since 1980. He currently serves on the Executive Committee and as the national Chair of the Internal Revenue Service Tax Liaison Committee for the American Association of Attorney-Certified Public Accountants. Mr. Davidoff has also held several positions in various professional associations and service organizations, such as the New Jersey Society of Certified Public Accountants, the American Institute of Certified Public Accountants and the National Federation of Independent Businesses. In 1995, Mr. Davidoff was appointed by then Governor Christine Todd Whitman to the White House Conference on Small Business. Mr. Davidoff received his Bachelor of Science (S.B.) from Massachusetts Institute of Technology and his M.B.A. from Boston University Graduate School of Management. In addition, he received his J.D. from Washington University School of Law.

Dr. Nowicki has been a Director of Bio-Imaging since July 1998 and was appointed Chairman of the Board of Directors of Bio-Imaging in October 1999. Dr. Nowicki has had a private practice in periodontics and dental implants since September 1981. Dr. Nowicki received his DMD from the University of Medicine and Dentistry of New Jersey in 1976. He completed his postdoctoral training in Periodontology in 1978 and subsequently served on the postgraduate faculty of the University of Medicine and Dentistry of New Jersey as an associate clinical professor until 1994. He has lectured nationally about periodontology, computer imaging for implant surgery, and systems thinking in health care.

Dr. Rubenstein has been a Director of Bio-Imaging since July 2000. Dr. Rubenstein is board certified in neurology and neuroimaging and is the Vice Chairman of the Board and Lead Director of The Cooper Companies, a NYSE-listed medical products company. Dr. Rubenstein is also the Chief Executive Officer of Nexgenix Pharmaceutical, LLC. Dr. Rubenstein has been a Clinical Associate Professor of Neurology at Mount Sinai/NYU Medical Center in New York City since 1981 and a faculty member since 1974. Previously, Dr. Rubenstein was the founder and CEO of a privately held medical imaging company, which he sold in 1987.

Mr. Stack has been a Director of Bio-Imaging since January 2000. Mr. Stack is currently the President, Chief Executive Officer and Director for The Medicines Company, a publicly traded specialty pharmaceutical company (NASDAQ: MDCO). Since October 1998, Mr. Stack served as President and General Partner of Stack Pharmaceuticals Inc., a firm assisting emerging health care companies in the commercialization of their products. From May 1995 to December 1999, Mr. Stack served as the President and General Manager of Innovex Inc., responsible for the Americas. Innovex Inc. was a commercial solutions company offering a full range of marketing, sales and clinical research capabilities to pharmaceutical and

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biotechnology customers. From April 1993 to May 1995, Mr. Stack was the Vice President of Business Development and Marketing for Immunomedics, Inc., a biopharmaceutical company focused on the development, manufacture and commercialization of diagnostic imaging and therapeutic products for the detection and treatment of cancer and infectious diseases. From May 1992 to March 1993, Mr. Stack had been the Director of Business Development and Planning for Infectious Disease, Oncology and Virology of Roche Laboratories. Prior to that, he held various other positions with Roche Laboratories for approximately 11 years, and was a retail pharmacist for approximately 3 years after graduating from Albany College of Pharmacy.

Ms. Stafford has been a Director of Bio-Imaging since November 2001. In May 2003, Ms. Stafford was appointed Executive Vice President, General Manager Southeast Region, Clinical Development Services for Quintiles, Inc. Prior to May 2003, Ms. Stafford held the position of Executive Vice President, Scientific Operations, Clinical Development Services for Quintiles, Inc. since February 2000. From 1997 to 2000, Ms. Stafford was Head of Business Development for Quintiles CRO division in the Americas. Prior to that, Ms. Stafford had various roles within Quintiles and has more than 19 years experience in drug development. Ms. Stafford holds a Bachelor of Science and a Masters in Public Health, both from the University of North Carolina at Chapel Hill, with her specialization in Biostatistics.

Dr. Taylor has been a Director of Bio-Imaging since October 1994, has been a partner at Merchant-Taylor International, Inc., a bio-pharmaceutical consulting firm, since May 1995 and has been President of Taylor Associates, a regulatory and product development consulting firm since October 1992. From 1987 to 1992, Dr. Taylor was Vice President and Chief Regulatory Officer of ImmunoGen Inc., a pharmaceutical company. From 1983 to 1987, he was Vice President, Regulatory Affairs of Carter-Wallace, Inc. Prior to that, Dr. Taylor was employed in various capacities by ICI Pharmaceuticals for four years and Pfizer Central Research for 12 years.

None of our directors is related to any other director or to any of our executive officers.

Under a prior stock purchase agreement, we had agreed to take all actions necessary to nominate and cause the election to the Board of Directors of up to three designees of Covance, Inc., a substantial stockholder of Bio-Imaging. Such obligation terminates at such time as Covance owns less than 200,000 shares of our Common Stock. Covance has designated Dr. Bannon as a nominee for director for the 2004 fiscal year. Covance has reserved all rights under its agreement with Bio-Imaging for subsequent years.

The Board of Directors recommends that Stockholders vote FOR each of the nominees for the Board of Directors.

Corporate Governance Guidelines

Our Board of Directors has long believed that good corporate governance is important to ensure that we are managed for the long-term benefit of our stockholders. During the past year, our Board has continued to review our governance practices in light of the Sarbanes-Oxley Act of 2002, the new rules and regulations of the Securities and Exchange Commission (the SEC) and the new listing standards of the NASDAQ Stock Market, Inc. (NASDAQ).

Our Board of Directors has adopted corporate governance guidelines to assist it in the exercise of its duties and responsibilities and to serve the best interests of Bio-Imaging and its stockholders. These guidelines, which provide a framework for the conduct of the Board s business, include that:

- the principal responsibility of the directors is to oversee the management of Bio-Imaging;
- a majority of the members of the Board shall be independent directors;
- the independent directors met regularly in executive session;
- directors have full and free access to management and, as necessary and appropriate, independent advisors;
- new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and
- at least annually, the Board and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

Board Determination of Independence

Under NASDAQ rules that become applicable to Bio-Imaging on the date of the Annual Meeting of Stockholders, a director will only qualify as an independent director if, in the opinion of our Board of Directors, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board of Directors has determined that each of Dr. Bannon, Dr. Berg, Mr. Davidoff, Dr. Nowicki, Dr. Rubenstein, Mr. Stack and Ms. Stafford do not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is an independent director as defined under Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

Committees and Meetings of the Board

There were five (5) regular meetings of the Board of Directors during Fiscal 2003, either in person or by teleconference. During this period, each member of the Board of Directors attended more than 75% of the aggregate of: (i) the total number of meetings of the Board of Directors (held during the period for which such person has been a director); and (ii) the total number of meetings held by all committees of the Board of Directors on which each such director served (during the periods such director served).

The Board of Directors has three standing committees the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee each which operates under a charter that has been approved by the Board.

Audit Committee. The primary responsibilities of the Audit Committee, as more fully set forth in the Audit Committee Charter adopted on September 1, 2000, as amended and restated on February 5, 2003 and March 26, 2004 and attached hereto as Appendix A, include:

- evaluating and recommending to the Board of Directors the engagement of our independent auditors;
- reviewing the results of their audit findings;
- reviewing our periodic reports filed with the Securities and Exchange Commission; and
- monitoring on a periodic basis our internal controls.

During Fiscal 2003, the Audit Committee had been, and is currently, comprised of David E. Nowicki, D.M.D., David M. Stack and Paula B. Stafford. The Audit Committee held four (4) meetings in Fiscal 2003.

Our Common Stock was listed on the American Stock Exchange until December 18, 2003, when our Common Stock began trading on the NASDAQ National Market. During the period when our Common Stock was listed on the American Stock Exchange, each Audit Committee member was an independent member of the Board of Directors as defined in Section 121(A) of the American Stock Exchange Listing Standards, Policies and Requirements. In addition, each Audit Committee member is an independent member of the Board of Directors as defined under the new NASDAQ rules that become applicable to us on the date of our Annual Meeting of Stockholders, including the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, as amended. In addition, each Audit Committee member is independent as defined by the NASDAQ rules that apply to us until the date of our Annual Meeting of Stockholders. As an independent director of our Board of Directors, each Audit Committee member is not an officer or employee of Bio-Imaging or its subsidiaries or does not have a relationship which, in the opinion of our Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our Board of Directors has determined that Mr. Stack, a current director and member of the Audit Committee, and Mr. Davidoff, the current nominee for election to our Board of Directors, are each an audit committee financial expert as defined in Item 401(e) of Regulation S-B. If elected as a director, Mr. Davidoff has agreed to serve as a member of the Audit Committee.

Compensation Committee. The primary responsibilities of the Compensation Committee, as more fully set forth in the Compensation Committee Charter adopted on March 26, 2004 and attached hereto as Appendix B, include:

- reviewing and approving, or recommending for approval by the Board, the salaries and incentive compensation of our executive officers;
- administering our 1991 Stock Option Plan, as amended (the 1991 Plan) and our 2002 Stock Incentive Plan (the 2002 Plan); and
- reviewing and making recommendations to the Board with respect to director compensation.

In addition, the Compensation Committee periodically reviews the potential effect of Section 162(m) and uses its judgment to authorize compensation payments that may be subject to the limit when the Compensation Committee believes such payments are appropriate and in the best interests of Bio-Imaging and our stockholders, after taking into consideration changing business conditions and the performance of our employees. Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for certain compensation in excess of $1 million paid to a company s CEO and the four other most highly compensated executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met.

The Compensation Committee held two (2) meetings in Fiscal 2003. The Compensation Committee is currently comprised of Jeffrey H. Berg, Ph.D. and James A. Taylor, Ph.D. Both members of the Committee are independent, as independence for Compensation Committee members is defined under the NASDAQ rules.

Nominating and Corporate Governance Committee. The primary responsibilities of the Nominating and Corporate Governance Committee, as more fully set forth in the Nominating and Corporate Governance Committee Charter adopted on March 26, 2004 and attached hereto as Appendix C, include:

- evaluating and recommending to the Board of Directors the persons to be nominated for election as directors at any meeting of stockholders;

- developing and recommending to the Board of Directors a set of corporate governance principles applicable to Bio-Imaging; and

- overseeing the evaluation of the Board of Directors.

During Fiscal 2003, the Nominating and Corporate Governance Committee had been, and is currently, comprised of David E. Nowicki, D.M.D. and James A. Taylor, Ph.D. Both members of the Committee are independent, as independence for Nominating and Corporate Governance Committee members is defined under the NASDAQ rules. The Committee held one (1) meeting in Fiscal 2003.

Director Candidates

The process followed by the Nominating and Corporate Governance Committee to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Committee and the Board.

In considering whether to recommend any particular candidate for inclusion in the Board s slate of recommended director nominees, the Nominating and Corporate Governance Committee will apply the criteria contained in the Committee s charter. These criteria include the candidate s integrity, business acumen, knowledge of our business and industry, age, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our Common Stock for at least one year as of the date such recommendation is made, to: Nominating and Corporate Governance Committee, c/o Corporate Secretary, Bio-Imaging Technologies, Inc., 826 Newtown-Yardley Road, Newtown, Pennsylvania 18940-1721. Assuming that appropriate biographical and background material has been provided on a timely basis, the Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

At our Annual Meeting of Stockholders, stockholders will be asked to consider the election of Mr. Davidoff, who has been nominated for election as a director for the first time. Mr. Davidoff was originally proposed to the Committee by Dr. Nowicki, our Chairman of the Board of Directors and a member of the Nominating and Corporate Governance Committee, and the Board determined to include him among its nominees.

Communicating with the Independent Directors

Our Board of Directors will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. The Chairman of the Board, with the assistance of our outside counsel, is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he considers appropriate. Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Chairman considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which the Company tends to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications to: Board of Directors c/o Corporate Secretary, Bio-Imaging Technologies, Inc., 826 Newtown-Yardley Road, Newtown, Pennsylvania 18940-1721.

Code of Business Conduct and Ethics

We have adopted a written Code of Business Conduct and Ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

Report of the Audit Committee

The Audit Committee has furnished the following report:

To the Board of Directors of Bio-Imaging Technologies, Inc.:

The Audit Committee of the Company s Board of Directors is currently composed of three members and acts under a written charter adopted on September 1, 2000, and amended and restated on February 5, 2003 and March 26, 2004. The current members of the Audit Committee are independent directors, as defined by its charter and the rules of the American Stock Exchange and the NASDAQ Stock Market, Inc., and possess the financial sophistication required by such charter and rules. The Audit Committee held four meetings during 2003.

Management is responsible for the Company s financial reporting process including its system of internal controls and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company s independent auditors are responsible for auditing those financial statements. The Audit Committee s responsibility is to monitor and review these processes. As appropriate, the Audit Committee reviews and evaluates, and discusses with the Company s management and the independent auditors, the following:

the plan for, and the independent auditors report on, each audit of the Company s financial statements;

the independent auditor s review of the Company s unaudited interim financial statements;

the Company s financial disclosure documents, including all financial statements and reports filed with the Securities and Exchange Commission or sent to stockholders;

management s selection, application and disclosure of critical accounting policies;

changes in the Company s accounting practices, principles, controls or methodologies;

significant developments or changes in accounting rules applicable to the Company; and

the adequacy of the Company s internal controls and accounting and financial personnel.

The Audit Committee reviewed and discussed with the Company s management the Company s audited financial statements for the year ended December 31, 2003. The Audit Committee also reviewed and discussed the audited financial statements and the matters required by Statement on Auditing Standards No. 61, 89 and 90 (Communication with Audit Committees) with the Company s independent auditors. These standards require the Company s independent auditors to discuss with the Company s Audit Committee, among other things, the following:

methods used to account for significant unusual transactions;

the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditors conclusions regarding the reasonableness of those estimates; and

disagreements with management over the application of accounting principles, the basis for management s accounting estimates and the disclosures in the financial statements.

The Company s independent auditors also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Independence Standards Board Standard No. 1 requires auditors annually to disclose in writing all relationships that, in the auditor s professional opinion, may reasonably be thought to bear on independence, confirm their perceived independence and engage in a discussion of independence. In addition, the Audit Committee discussed with the independent auditors their independence from the Company. The Audit Committee also considered whether the independent auditors provision of certain other non-audit related services to the Company is compatible with maintaining such auditors independence.

Based on its discussions with management and the independent auditors, and its review of the representations and information provided by management and the independent auditors, the Audit Committee recommended to the Company s Board of Directors that the audited financial statements referred to above be included in the Company s Annual Report on Form 10-KSB.

By the Audit Committee of the Board of Directors of
Bio-Imaging Technologies, Inc.

David E. Nowicki, D.M.D
Audit Committee Chairman

David M. Stack
Audit Committee Member

Paula B. Stafford
Audit Committee Member

Compensation of Directors

Each non-employee director, except Dr. Bannon, received annual compensation for serving on the Board of Directors for Fiscal 2003 of $12,500, except for Dr. Nowicki, the Chairman of the Board, who received $20,000, which is to be paid in equal quarterly cash installments. In addition, each non-employee director, except for Dr. Bannon, was granted an option to purchase 21,250 shares of our Common Stock, with an exercise price based on the fair market value of our Common Stock on the date of grant, 6,250 of which shall vest immediately and 15,000 of which shall vest one-twelfth (1/12) on each one-month anniversary from the date of grant. Moreover, such options are subject to a pro-rata reduction if a director attends, with respect to the applicable year, less than seventy-five percent (75%) of all Board of Directors meetings and all meetings of any Committee on which he or she serves. In February 2004, pursuant to the recommendations of the Compensation Committee, the $12,500 payment to each non-employee director, except for Mr. Bannon, was increased to $15,000, and the Chairman of the Board s compensation was increased to $25,000. An additional payment will be made to Committee Members as follows: $5,000 to each Audit Committee Member; $3,000 to each Compensation Committee Member; and $2,000 to each Nominating and Corporate Governance Committee Member. In addition, all directors were and currently are reimbursed for their expenses for each Board meeting and each Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee meeting attended.

The following directors were granted options under the 2002 Plan during Fiscal 2003:

Director	Number of Shares Underlying Options Granted	Grant Date	Exercise Price Per Share
James A. Bannon, Pharm.D.			
Jeffrey H. Berg, Ph.D.	21,250	May 28, 2003	$ 4.74
David E. Nowicki, D.M.D.	21,250	May 28, 2003	$ 4.74
Allan Rubenstein, M.D.	21,250	May 28, 2003	$ 4.74
David M. Stack	21,250	May 28, 2003	$ 4.74
Paula B. Stafford	21,250	May 28, 2003	$ 4.74
James A. Taylor, Ph.D.	21,250	May 28, 2003	$ 4.74

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, officers and stockholders who beneficially own more than 10% of any class of our equity securities registered pursuant to Section 12 of the Exchange Act (collectively, the Reporting Persons) to file initial statements of beneficial ownership of securities and statements of changes in beneficial ownership of securities with respect to our equity securities with the SEC. All Reporting Persons are required by SEC regulation to furnish us with copies of all reports that such Reporting Persons file with the SEC pursuant to Section 16(a). Based solely on our review of the copies of such forms received by us and upon written representations of our Reporting Persons received by us, we believe that there has been compliance with all Section 16(a) filing requirements applicable to such Reporting Persons.

EXECUTIVE OFFICERS

The following table identifies our current executive officers:

Name	Age	Capacities in Which Served	In Current Position Since
Mark L. Weinstein(1)	51	President and Chief Executive Officer	February 1998
Ted I. Kaminer(2)	45	Senior Vice President and Chief Financial Officer	February 2003
Colin G. Miller, Ph.D.(3)	43	Senior Vice President of Business Development	December 2003
David A. Pitler(4)	48	Senior Vice President of Operations	December 2003

(1) Mr. Weinstein assumed the responsibilities of Chief Financial Officer of Bio-Imaging from January 31, 2001 to February 18, 2003, in addition to serving as our President and Chief Executive Officer.

(2) Mr. Kaminer joined Bio-Imaging in February 2003 as our Senior Vice President and Chief Financial Officer. Prior to joining Bio-Imaging, from May 2002 to February 2003, Mr. Kaminer served as Chief Financial Officer and Vice President of ION Networks Inc., and from October 2000 to April 2002, Mr. Kaminer was an independent consultant. From March 1998 to September 2000, Mr. Kaminer served as Senior Vice President of Finance and Chief Financial Officer of CMPExpress. Previously, he spent twelve years with various investment banking firms in the corporate finance area.

(3) Dr. Miller joined Bio-Imaging in May 1999 as our Vice President of Business Development when we acquired Bona Fide Ltd. In December 2003, Dr. Miller was appointed Senior Vice President of Business Development. In November 2000, Dr. Miller was appointed an executive officer of Bio-Imaging. Dr. Miller was the Director of Clinical Services at Bona Fide Ltd. from February 1994 until May 1999. Prior to his position at Bona Fide Ltd., Dr. Miller spent 10 years with various pharmaceutical companies and medical facilities in the clinical research area.

(4) Mr. Pitler joined Bio-Imaging in March 2000 as our Vice President of Operations. In December 2003, Mr. Pitler was appointed Senior Vice President of Operations. In November 2000, Mr. Pitler was appointed an executive officer of Bio-Imaging. Mr. Pitler spent four years, from April 1996 until February 2000, at Medical Economics Company, an international health care information company and wholly-owned division of The Thomson Corporation, as Vice President of Production and formerly as Vice President of Integration. From 1981 to 1996, Mr. Pitler held various positions with information processing companies.

None of our executive officers is related to any other executive officer or to any director of Bio-Imaging. Our executive officers are elected annually by the Board of Directors and serve until their successors are duly elected and qualified.

EXECUTIVE COMPENSATION

Summary of Compensation in Fiscal 2003

The following Summary Compensation Table sets forth information concerning compensation for services in all capacities awarded to, earned by or paid to each person who served as our Chief Executive Officer at any time during Fiscal 2003 and those executive officers of Bio-Imaging, other than the Chief Executive Officer, who were serving as executive officers at the end of Fiscal 2003 (collectively, the Named Executive Officers) during the three years ended December 31, 2003.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation Awards	
					Securities Underlying Options	
		Salary ($)	Bonus ($)	Other Annual Compensation ($)	(#)	All Other Compensation ($)
Name and Principal Position (a)	**Year (b)**	**(c)**	**(d)** [1]	**(e)** [2]	**(g)**	**(i)**
Mark L. Weinstein President, Chief Executive Officer and Chief Financial Officer[3]	2003 2002 2001	257,642 230,595 190,000	43,437 105,657 22,357		 40,000	840[4] 1,238[4] 2,524[4]
Ted I. Kaminer Senior Vice President, Chief Financial Officer[3]	2003 2002 2001	150,769	65,240		100,000	720[4]
Colin G. Miller, Ph.D. Senior Vice President of Business Development	2003 2002 2001	147,202 135,000 130,000	55,361 53,190 15,297		10,000 20,000	707[4] 1,137[4] 2,043[4]
David A. Pitler Senior Vice President of Operations	2003 2002 2001	148,558 135,000 120,000	55,920 53,190 14,120		20,000 20,000	535[4] 904[4] 1,7303,237,513

4,122,380

Operating expenses
General and administrative expenses 1,442,722 966,702

Selling expenses	564,453	501,269
Total operating expenses	2,007,175	1,467,971
Operating income	1,230,338	2,654,409
Other income (expense)		
Interest expense	(43,501)	(50,126)
Interest income	9,047	—
Gain on sale of assets	15,499	7,254
Other income	10,871	33,770
Total other income (expense)	(8,084)	(9,102)
Income before income tax expense	1,222,254	2,645,307
Income tax expense	474,000	954,000
Net income	$ 748,254	$ 1,691,307
Basic and diluted earnings per share	$ 0.15	$ 0.34
Weighted average number of common shares outstanding:		
Basic	5,054,148	4,924,366
Diluted	5,099,387	4,964,965

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

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

	Three Months Ended September 30,	
	2017	2016
Net income	$748,254	$1,691,307
Other comprehensive loss, net of tax:		
Net unrealized holding loss(1)	(965)	(7,017)
Comprehensive income	$747,289	$1,684,290

(1) Unrealized losses on available-for-sale securities are shown net of income tax benefit of $0 and $5,000 for September 30, 2017 and 2016, respectively.

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

SMITH-MIDLAND CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30,	
	2017	2016
Revenue		
Products sales and leasing	$24,998,000	$23,173,987
Shipping and installation revenue	5,320,792	5,572,877
Royalties	1,387,307	1,344,240
Total revenue	31,706,099	30,091,104
Cost of goods sold	22,275,067	22,621,805
Gross profit	9,431,032	7,469,299
Operating expenses		
General and administrative expenses	3,925,456	2,698,129
Selling expenses	1,825,303	1,629,771
Total operating expenses	5,750,759	4,327,900
Operating income	3,680,273	3,141,399
Other income (expense)		
Interest expense	(134,640)	(111,675)
Interest income	27,935	28,205
Gain on sale of assets	32,017	21,297
Other income	34,522	51,229
Total other income (expense)	(40,166)	(10,944)
Income before income tax expense	3,640,107	3,130,455
Income tax expense	1,323,000	1,110,000
Net income	$2,317,107	$2,020,455
Basic and diluted income per share	$0.46	$0.41
Weighted average number of common shares outstanding:		
Basic	5,036,102	4,924,366
Diluted	5,075,199	4,958,473

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

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

	Nine Months Ended September 30,	
	2017	2016
Net income	$2,317,107	$2,020,455
Other comprehensive income, net of tax:		
Net unrealized holding gain(1)	6,373	7,773
Comprehensive income	$2,323,480	$2,028,228

(1) Unrealized gains on available for sale securities are shown net of income tax expense of $4,000 and $5,000 for September 30, 2017 and September 30, 2016, respectively.

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

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

	Nine Months Ended September 30, 2017	2016
Cash flows from operating activities		
Net income	$2,317,107	$2,020,455
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	694,497	569,897
Gain on sale of assets	(32,017)	(20,296)
Allowance for doubtful accounts	(118,881)	(33,017)
Stock compensation	289,596	—
Deferred taxes	(63,000)	265,000
(Increase) decrease in		
Accounts receivable - billed	(3,460,732)	(3,149,856)
Accounts receivable - unbilled	76,068	(97,435)
Inventories	(418,502)	(13,296)
Prepaid expenses and other assets	(149,086)	(110,709)
Refundable income taxes	96,395	355,597
Increase (decrease) in		
Accounts payable - trade	462,023	266,769
Accrued expenses and other liabilities	178,589	261,816
Deferred revenue	621,415	175,839
Accrued compensation	131,606	199,149
Customer deposits	1,050,546	195,799
Net cash provided by operating activities	1,675,624	885,712
Cash flows from investing activities:		
Purchases of investment securities available-for-sale	(28,594)	(31,990)
Purchases of property and equipment	(2,568,788)	(3,289,669)
Proceeds from sale of fixed assets	37,369	20,296
Net cash used in investing activities	(2,560,013)	(3,301,363)
Cash flows from financing activities:		
Line of credit borrowings	—	1,450,000
Line of credit payments	—	(1,450,000)
Proceeds from long-term borrowings	183,784	1,887,322
Repayments of long-term borrowings	(434,876)	(310,357)
Dividends paid on common stock	(49,414)	—
Proceeds from options exercised	116,778	48,400
Net cash (used in) provided by financing activities	(183,728)	1,625,365
Net decrease in cash and cash equivalents	(1,068,117)	(790,286)
Cash and cash equivalents		

Beginning of period	3,522,620	1,735,621
End of period	$2,454,503	$945,335

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

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SMITH-MIDLAND CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. – INTERIM FINANCIAL REPORTING

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information, and with the instructions to Form 10-Q and Article 10 and Regulation S-X. Accordingly, we have condensed or omitted certain information and footnote disclosures that are included in our annual financial statements. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016. The condensed consolidated December 31, 2016 balance sheet was derived from audited financial statements included in the Form 10-K.

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard will be effective for the Company on January 1, 2018, which is the effective date for public companies. Early application is permitted as of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has conducted a preliminary analysis of the impact of ASU No. 2014-09 on its financial statements and related disclosures preliminarily and has not identified any significant changes to its revenue recognition policies. The Company has not yet selected a transition method, and believes the standard will have minimal effect on its consolidated financial statements.

Use of Estimates

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

Revenue Recognition

The Company primarily 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 of the Company’s standard products can be performed by the customer; however, the Company installs certain products at the time of delivery and will recognize the installation revenue at that time. The installation activities are usually completed the day of delivery or the following day. In building sales, buildings can be erected on the Company’s site and delivered completely installed; or delivered by panel and erected on the job-site, typically within one day.

Leasing fees are paid at the beginning of the lease agreement and are recorded as deferred revenue. The deferred revenue is then recognized each month as lease income for the duration of the lease.

Royalties are recognized as revenue as they are earned. The Company licenses certain products to other precast companies to produce the Company's products to engineering specifications under the licensing agreements. The agreements are typically for five year terms and require royalty payments from 4% to 6% which are paid on a monthly basis. The revenues from licensing agreements are recognized in the month earned.

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Certain sales of soundwall, architectural precast panels and Slenderwall™ concrete products revenue is recognized using the percentage-of-completion method for recording revenues on long term contracts under ASC 605-35. Percentage-of-completion contracts are estimated based on the number of units produced during the period multiplied by the unit rate stated in the contract. The contracts are executed by both parties and clearly stipulate the requirements for progress payments and a schedule of delivery dates. Provisions for estimated losses on contracts are made in the period in which such losses are determined.

Shipping revenues are recognized in the period the shipping services are provided to the customer.

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

Segment Reporting

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

Reclassifications

Certain minor reclassifications have been made to prior year amounts to conform to current year presentation.

NOTE 2. – NET INCOME PER COMMON SHARE

Basic earnings per common share exclude all common stock equivalents, primarily stock options and restricted stock awards, and is computed using the weighted average number of common shares outstanding during the period. The diluted earnings per common share calculation reflects the potential dilutive effect of securities that could share in earnings of the Company. Outstanding options are excluded from the diluted earnings per share calculation where they would have an anti-dilutive effect.

	Three Months Ended September 30,	
	2017	2016
Basic income per share		
Net income	$748,254	$1,691,307
Weighted average shares outstanding	5,054,148	4,924,366
Basic income per share	$0.15	$0.34
Diluted income per share		
Net income	$748,254	$1,691,307
Weighted average shares outstanding	5,054,148	4,924,366
Dilutive effect of stock options and restricted stock	45,239	40,599
Total weighted average shares outstanding	5,099,387	4,964,965
Diluted income per share	$0.15	$0.34

	Nine Months Ended September 30,	
	2017	2016
Basic income per share		
Net income	$2,317,107	$2,020,455
Weighted average shares outstanding	5,036,102	4,924,366
Basic income per share	$0.46	$0.41
Diluted income per share		
Net income	$2,317,107	$2,020,455
Weighted average shares outstanding	5,036,102	4,924,366
Dilutive effect of stock options and restricted stock	39,097	34,107
Total weighted average shares outstanding	5,075,199	4,958,473
Diluted income per share	$0.46	$0.41

NOTE 3. – NOTES PAYABLE

The Company has a mortgage note payable to Summit Community Bank (the "Bank"), with a balance of $1,135,930 as of September 30, 2017. The note has a maturity date of September 20, 2021 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.

The Company has a mortgage note payable to the Bank for the the purchase of the Columbia, South Carolina facility. Such loan is evidenced by a promissory note dated July 19, 2016. The note provides for a 15 year term, a fixed annual interest rate of 5.29%, monthly fixed payments of $10,673 and a security interest in favor of the Bank in respect of the land, building and fixtures purchased with the proceeds of the loan. The balance of the loan at September 30, 2017 was $1,249,190.

The Company additionally has 14 smaller installment loans with annual interest rates between 2.94% and 5.29% and varying balances totaling $1,296,822.

The loan covenant with the Bank was modified for 2017, increasing the annual capital expenditures limit from $1.5 million to $3.5 million. The Company is in compliance with all covenants pursuant to the loan agreement.

The Company had a $2,000,000 line of credit, secured by accounts receivable and inventory, which was expired at September 30, 2017. The Company is currently in the process of renewing the line of credit limits with the Bank and expects to be completed by the end of 2017. In addition, the Company has a commitment from the Bank in the amount of $1,500,000 for an equipment line of credit. Neither line of credit carried a balance at September 30, 2017.

NOTE 4. – STOCK COMPENSATION

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

The following table summarizes options outstanding at September 30, 2017

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2016	68,133	$ 1.79
Granted	—	—
Forfeited	(1,000)	(2.15)
Exercised	(56,800)	(2.05)
Outstanding options at September 30, 2017	10,333	$ 1.21
Outstanding exercisable options at September 30, 2017	10,333	$ 1.21

The intrinsic value of outstanding and exercisable options at September 30, 2017 was approximately $70,000.

The fair value of restricted stock awards is estimated to be the market price of the Company's common stock at the close of the date of grant. Restricted stock activity during the nine months ended September 30, 2017 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value per Share
Balance, December 31, 2016	103,000	$ 4.95
Granted	74,000	5.45
Vested	(15,000)	(5.45)
Forfeited	—	—
Non-vested, end of period	162,000	$ 5.13

Awards are being amortized to expense ratably, on an annual basis, over a three year vesting term, except one grant in January 2017 for 15,000 shares of restricted stock, which vested upon grant. There was stock compensation expense of $289,596 for the nine months ended September 30, 2017 and no stock compensation expense for the nine months ended September 30, 2016, as the grants were made in December 2016 and January 2017. The total unrecognized compensation cost as of September 30, 2017 related to the non-vested restricted stock is $623,550.

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

Forward-Looking Statements

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

- While the Company is profitable for the years ended December 31, 2016 and 2015, and for the nine months ended September 30, 2017, there are no assurances that the Company can remain profitable in future periods,
- our debt level increased in 2016, and decreased during the first nine months of 2017, and our ability to satisfy the same cannot be assured,
- the continued availability of financing in the amounts, at the times, and on the terms required, to support our future business and capital projects,
- the extent to which we are successful in developing, acquiring, licensing or securing patents for proprietary products,
-

changes in economic conditions specific to any one or more of our markets (including the availability of public funds and grants for construction),

- changes in general economic conditions in the Company's primary service areas,
- adverse weather, which inhibits the demand for our products,
- our compliance with governmental regulations,
- the outcome of future litigation, if any,
- on material construction projects, our ability to produce and install product that conforms to contract specifications and in a time frame that meets the contract requirements,
- the cyclical nature of the construction industry,
- our exposure to increased interest expense payments should interest rates change,
- the Company's Board of Directors, which is composed of five members, has only two outside, independent directors, and
- the other factors and information disclosed and discussed in other sections of this Report and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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

Overview

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

The Company was incorporated in Delaware on August 2, 1994. Prior to a corporate reorganization completed in October 1994, the Company conducted its business primarily through Smith-Midland Virginia, which was incorporated in 1960 as Smith Cattleguard Company, a Virginia corporation, and which subsequently changed its name to Smith-Midland Corporation in 1985. The Company’s principal offices are located at 5119 Catlett Road, Midland, Virginia 22728 and its telephone number is (540) 439-3266. As used in this report, unless the context otherwise requires, the term the “Company” refers to Smith-Midland Corporation and its subsidiaries.
The Company had net income of $748,254 for the three months ended September 30, 2017, resulting in net income of $2,317,107 for the nine months ended September 30, 2017. The cost of goods sold as a percent of revenue, not including royalties, for the three and nine months ended September 30, 2017 was 75% and 73%, respectively, as compared to 70% and 79% for the three and nine months ended September 30, 2016, respectively. The increase in cost of goods sold as a percentage of revenue, not including royalties, for the third quarter of 2017, compared to the same period in 2016, is mainly due to a few special projects which occurred in the third quarter 2016 that had slightly higher margins due to the risk of the jobs. The decrease in cost of goods sold as a percentage of revenue, not including royalties, for the nine month period ended September 30, 2017, compared to the same period in 2016, is mainly due to high quality projects sold, while controlling material and labor costs. Leveled production at each manufacturing location has helped create efficiencies for the production facilities. Total sales for the three month period ended September 30, 2017 were $11,480,804, compared to $12,396,001 for the same period in 2016. Total sales for the nine period ended September 30, 2017 were $31,706,099, compared to $30,091,104 for the same period in 2016. Although total sales were slightly down for the third quarter of 2017 due to a few specials projects during the third quarter 2016, total sales for the nine month period ended September 30, 2017 continue to exceed historical sales volumes. Management expects sales to remain strong and steady for the remainder of 2017, and continue through 2018 as the backlog is anticipated to increase in the fourth quarter of 2017, although no assurance can be provided.

Results of Operations

Three and nine months ended September 30, 2017 compared to the three and nine months ended September 30, 2016

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, Easi-Set® and Easi-Span® buildings, utility and farm products and miscellaneous precast products. The following table summarizes the sales by product type and comparison for the three and nine month periods ended September 30, 2017, and 2016.

Sales By Type

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017	2016	Change	% of Change	2017	2016	Change	% of Change
Product Sales:								
Soundwall Sales	$2,368,269	$1,307,911	$1,060,358	81%	$5,023,847	$6,198,822	$(1,174,975)	(19)%
Architectural Panel Sales	551,097	305,368	245,729	80%	568,987	601,359	(32,372)	(5)%
Slenderwall Sales	912,486	993,262	(80,776)	(8)%	912,486	1,404,075	(491,589)	(35)%
Miscellaneous Wall Sales	639,151	790,502	(151,351)	(19)%	2,011,518	2,136,570	(125,052)	(6)%
Barrier Sales	3,615,482	2,742,370	873,112	32%	9,684,240	6,008,521	3,675,719	61%
Easi-Set and Easi-Span Building Sales	729,875	820,084	(90,209)	(11)%	2,126,868	2,050,201	76,667	4%
Utility and Farm Product Sales	321,912	628,993	(307,081)	(49)%	1,129,636	1,566,525	(436,889)	(28)%
Miscellaneous Product Sales	156,962	83,830	73,132	87%	395,735	295,339	100,396	34%
Total Product Sales	9,295,234	7,672,320	1,622,914	21%	21,853,317	20,261,412	1,591,905	8%
Royalty Income	483,179	533,751	(50,572)	(9)%	1,387,307	1,344,240	43,067	3%
Barrier Rentals	319,102	2,111,987	(1,792,885)	(85)%	3,144,683	2,912,575	232,108	8%
Shipping and Installation Revenue	1,383,289	2,077,943	(694,654)	(33)%	5,320,792	5,572,877	(252,085)	(5)%
Total Service Revenue	2,185,570	4,723,681	(2,538,111)	(54)%	9,852,782	9,829,692	23,090	—%
Total Sales	$11,480,804	$12,396,001	$(915,197)	(7)%	$31,706,099	$30,091,104	$1,614,995	5%

Soundwall sales increased for the three month period ended September 30, 2017 when compared to the same period in 2016, but are significantly lower than the nine month period ended September 30, 2017 when compared to the same period in 2016. While soundwall sales for the nine months ended 2017 still lag behind the same period in 2016, all three production facilities are currently producing soundwall projects with good margins. As highway work continues to increase, management expects soundwall sales to trend up for the remainder of 2017 and surpass the full year 2016 soundwall sales.

Architectural panel sales increased during the three period ended September 30, 2017, compared to the same periods in 2016, but slightly decreased for the nine month period ended September 30, 2017, compared to the same period in 2016. Architectural panel sales increased consistently with what management projected and are expected to remain strong through the remainder of 2017. Sales are expected to be steady into 2018, as the Company is bidding on several Slenderwall projects, for which architectural panels are a compliment product in design.

Slenderwall™ panel sales were down for the three and nine month period ended September 30, 2017, as compared to the same periods in 2016. Slenderwall sales are projected to increase through the remainder of 2017 as production on two large projects started during the second quarter of 2017, which are projected to run through the first quarter of 2018. The outlook for 2017 Slenderwall sales remains strong, as the Company continues to produce such product for the projects. This proprietary product remains a focus of the sales team, with expectations of expanding Slenderwall sales in both the Charlotte, North Carolina and Atlanta, Georgia markets in the near future from the production facility in Columbia, South Carolina.

Miscellaneous wall sales decreased for the three and nine month periods ended September 30, 2017, when compared to the same periods in 2016. The Company finished production on a large miscellaneous wall project during the third quarter 2017, which started in 2016. With varying market demand, miscellaneous wall sales are expected to be flat or trend down for the remainder of 2017; however, the Company continues to bid on miscellaneous wall projects as they are released, as some projects can be very profitable due to their unique characteristics.
Barrier Sales - Barrier sales increased significantly during the three and nine month periods ended September 30, 2017, compared to the same periods in 2016. Large highway projects helped increase barrier sales during the three and nine month periods ended September 30, 2017, as compared to the same periods in 2016. Barrier demand continues to be strong and, although there can be no assurance, the Company expects to be awarded additional large barrier jobs through the remainder of 2017 and into 2018.
Easi-Set® and Easi-Span® Building Sales - Building and restroom sales slightly decreased for the three month period ended September 30, 2017, compared to the same period in 2016, although sales for the nine month period ended September 30, 2017 are slightly higher when compared to the same period in 2016. The Company continues to see an increase in bids in the local markets of all three manufacturing facilities. Management still expects the Company will see an increase in building and restroom sales in 2017 and 2018 with an added salesman and the expanded market reach.
Utility and Farm Product Sales - Utility and farm products sales significantly decreased in the three and nine month periods ended September 30, 2017, compared to the same periods in 2016. Utility products are tied closely with infrastructure spending by federal, state and local governments. With the passage of the federal highway bill, and growth in residential and commercial construction, sales and bids on these products are slowly improving. Although there are competitors who specialize in lower priced utility products, the Company is much more competitive on large contracts. Management believes utility product sales will remain at the current level or slightly lower during the remainder of 2017.
Miscellaneous Product Sales - Miscellaneous products are products produced and sold that do not meet the criteria defined for other revenue categories. Miscellaneous product sales increased for the three and nine month periods ended September 30, 2017, compared to the same periods in 2016. The increase was due mainly to a few minor projects supplied during the three and nine month periods ended September 30, 2017, as compared to the same periods in 2016. Management believes that miscellaneous sales will be relatively flat during the remainder of the year.
Royalty Revenue - Royalties slightly decreased for the three month period ended September 30, 2017, compared to the same period in 2016. For the nine month period ended September 30, 2017, royalties slightly increased over the same period in 2016. Royalties were favorably effected for the three month period ended September 30, 2017 and increased in the nine month period ended September 30, 2017 due to Slenderwall projects being produced and erected during these periods, compared to the same periods in 2016 which had no Slenderwall royalties. Management continues to seek new licensee opportunities to expand product offerings around the world. With steady increase in construction and infrastructure spending, management believes royalty revenue will continue to increase through the end of 2017.
Barrier Rentals - Barrier rentals decreased significantly for the three month period ended September 30, 2017, compared to the same period in 2016. The decrease is mainly due to a few special projects that occurred in the third quarter of 2016. For the nine month period ended September 30, 2017 barrier rental revenue increased slightly over the same period in 2016. The increase is attributed to the increase in highway infrastructure spending. With the Company expanding the barrier rental fleet, management believes it has the potential to increase barrier rental revenue for the remainder of 2017, and moving forward as the outlays for infrastructure spending by federal and state governments continue 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 and Slenderwall 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 for the three and nine month periods ended September 30, 2017, compared to the same periods in 2016. The Company continues to expand shipping and installation services through additional products such as barrier and barrier rental. Although Slenderwall installation will not begin until 2018, management expects shipping and installation to continue to remain flat through the end of 2017.

Cost of Goods Sold - Total cost of goods sold for the three months ended September 30, 2017, decreased by $30,330, or 0%, from the same period in 2016. Total cost of goods sold, as a percentage of total revenue, not including royalties, was 75% for the three months ended September 30, 2017, an increase from 70% for the same period in 2016. Total cost of goods sold for the nine months ended September 30, 2017 decreased by $346,738, or 1%, from the same period in 2016. Total cost of goods sold, as a percentage of total revenue, not including royalties, was 73% for the nine months ended September 30, 2017, as compared to 79% for the same period in 2016. The increase in cost of goods sold as a percentage of revenue, not including royalties, for the third quarter of 2017, compared to the same period in 2016, is mainly due to a few special projects which occurred in the third quarter 2016 that had slightly higher margins due to the risk of the jobs. The significant decrease in cost of goods sold, as a percentage of revenue, not including royalties, for the nine month period ended September 30, 2017 was mainly due to the increase in barrier sales and barrier rentals, which had the higher sales volume when compared to the same period in 2016. The Company has also seen a decrease in labor costs, as well as limited price increases in some raw materials. The Company continues to seek vendor pricing opportunities, and focuses on lean production methods to create capacity and eliminate process waste, while driving value to the customer.

General and Administrative Expenses - For the three months ended September 30, 2017 the Company's general and administrative expenses increased by $476,020, or 49%, to $1,442,722 from $966,702 during the same period in 2016, and for the nine months ended September 30, 2017 the Company's general and administrative expenses increased by $1,227,327, or 45%, to $3,925,456 from $2,698,129 during the same period in 2016. The increased general and administrative expenses for the three and nine month periods ended September 30, 2017 are partially related the new facility in Columbia, South Carolina, which was purchased in mid 2016, and has been operating near full capacity throughout 2017. Stock compensation expense of $69,282 and $289,596 also contributed to the increase in general and administrative costs in the three and nine months ended September 30 2017, respectively, as compared to zero costs during the same period in 2016. General and administrative expense as a percentage of total revenue was 12% and 9% for the nine months ended September 30, 2017 and 2016, respectively. The total unrecognized compensation cost related to non-vested restricted stock is $623,550 as of September 30, 2017.

Selling Expenses - Selling expenses for the three months ended September 30, 2017 increased to $564,453 from $501,269 for the same period in 2016, or 13%. Selling expenses for the nine months ended September 30, 2017 increased to $1,825,303 from $1,629,771 for the same period in 2016, or 12%. The increase in sales expense was related to an increase in salaries, with the addition of a buildings salesman. The Columbia, South Carolina production facility has incurred additional selling expenses for the three and nine month periods ended September 30, 2017, as compared to the same periods in 2016 due to the plant being in full operation.

Operating Income - The Company had operating income for the three month period ended September 30, 2017 of $1,230,338, compared to operating income of $2,654,409 for the same period in 2016. The Company had operating income of $3,680,273 for the nine months ended September 30, 2017 compared to operating income of $3,141,399 for the same period in 2016. The decrease in operating income for three month period ended September 30, 2017 compared to the same period in 2016, was primarily due to a few special projects which occurred during the third quarter 2016. The increase in operating income for the nine month period ended September 30, 2017, compared to the same period in 2016, was due to increased product sales and a decrease in cost of goods sold as a percentage of total revenue, not including royalties.

Interest Expense - Interest expense was slightly lower for the three month period ended September 30, 2017, compared to the same period in 2016. The decrease is due to the Company drawing on the line of credit during the third quarter of 2016, and not utilizing the line of credit during 2017. Interest expense increased for the nine month period ended September 30, 2017, compared to the same period in 2016. The increase over the same period in 2016 was due primarily to increased borrowings used for the purchase of land, building and fixtures in Columbia, South Carolina, the purchase of six acres of land adjacent to our Midland, VA facility for storage of products purchased by customers prior to delivery, and the purchase of equipment used in production.

Income Tax Expense - The Company had income tax expense of $474,000 with an effective rate of 39% for the three months ended September 30, 2017, compared to income tax expense of $954,000 with an effective rate of 36% for the same period in 2016. The Company has income tax expense of $1,323,000 with an effective rate of 36% for the nine months ended September 30, 2017, compared to income tax expense of $1,110,000 with an effective rate of 35% for the same period in 2016.

Net Income - The Company had net income of $748,254 for the three months ended September 30, 2017, compared to net income of $1,691,307 for the same period in 2016. The basic and diluted income per share was $0.15 for the three months ended September 30, 2017, and the basic and diluted income per share was $0.34 for the three months ended September 30, 2016. The Company had net income of $2,317,107 for the nine months ended September 30, 2017, compared to net income of $2,020,455 for the same period in 2016. The basic and diluted income per share was $0.46 for the nine months ended September 30, 2017, and the basic and diluted income per share was $0.41 for the same period in 2016.

Liquidity and Capital Resources

The Company financed its capital expenditures and operating requirements for the nine months of 2017 primarily from cash provided by operations, cash balances and notes payable to a bank. The Company had $3,681,942 of debt obligations at September 30, 2017, of which $638,103 was scheduled to mature within twelve months. During the nine months ended September 30, 2017, the Company made repayments of outstanding debt in the amount $434,876.

The Company has a mortgage note payable to Summit Community Bank (the "Bank") with a balance of $1,135,930 as of September 30, 2017. The note has a maturity date of September 20, 2021 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.

The Company has a mortgage note payable to the Bank for the the purchase of the Columbia, South Carolina facility. Such loan is evidenced by a promissory note, dated July 19, 2016. The note provides for a 15 year term, a fixed annual interest rate of 5.29%, monthly fixed payments of $10,673 and a security interest in favor of the Bank in respect of the land, building and fixtures purchased with the proceeds of the loan. The balance of the loan at September 30, 2017 was $1,249,190.

The Company additionally has 14 smaller installment loans with annual interest rates between 2.94% and 5.29% and varying balances totaling $1,296,822.

The loan covenant with the Bank was modified for 2017, increasing the annual capital expenditures limit from $1.5 million to $3.5 million. The Company is in compliance with all covenants pursuant to the loan agreement.

The Company had a $2,000,000 line of credit, secured by accounts receivable and inventory, which was expired at September 30, 2017. The Company is currently in the process of renewing the line of credit limits with the Bank and expects to be completed by the end of 2017. In addition, the Company has a commitment from the Bank in the amount of $1,500,000 for an equipment line of credit. Neither line of credit carried a balance at September 30, 2017.

At September 30, 2017, the Company had cash and cash equivalents totaling $2,454,503 and $1,084,761 of investment securities compared to cash and cash equivalents totaling $3,522,620 and $1,050,220 of investment securities at December 31, 2016. Investment securities at September 30, 2017 consist of shares of USVAX (a Virginia Bond Fund). The decrease in cash is primarily the result of increased accounts receivable at September 30, 2017 than at December 31, 2016, the purchase of capital assets, and the repayment of notes payable.

Capital spending for the nine months ended September 30, 2017 totaled $2,568,788, as compared to $3,289,669 for the same period in 2016. The 2017 expenditures were for additional rental barrier, land in North Carolina, and miscellaneous manufacturing equipment. The Company plans to make additional capital purchases of approximately $500,000 over the remainder of the year. The remaining 2017 expenditures will be for land improvements and miscellaneous manufacturing equipment.

The Company's two mortgage notes payable are financed at fixed rates of interest. This leaves the Company almost impervious to fluctuating interest rates. Increases in such rates will only slightly affect the interest paid by the Company on an annual basis. Approximately 93% of the Company's debt obligations are financed at a fixed interest rate so that each 1% increase in the interest rates of the Company's outstanding debt will reduce income by approximately $2,800 annually.

The Company's cash flow from operations is affected by production schedules set by contractors, which generally provide for payment 35 to 90 days after the products are produced and with some architectural contracts, retainage may be held until the entire project is completed. This payment schedule may result in liquidity problems for the Company because it must bear a portion of the cost of production before it receives payment from its customers. The Company's average days sales outstanding, excluding the effect of unbilled revenue, was 75 days for the nine months ended September 30, 2017 compared to 74 days for the year ended December 31, 2016. The slight increase in DSO is mainly due to retainage being withheld on multiple large projects. Although no assurances can be given, the Company believes that anticipated cash flow from operations and the availability under the lines of credits will be sufficient to finance the Company's operations for at least the next 12 months.

The Company's inventory was $2,997,319 at September 30, 2017 and $2,578,817 at December 31, 2016, or an increase of $418,502. The increase in inventory is due to production of barrier products for orders scheduled to be delivered during 2017. Inventory turnover was 11.4, annualized for the nine months ended September 30, 2017, compared to 8.2 for the same period in 2016.

Critical Accounting Policies and Estimates

The Company's critical accounting policies are more fully described in its Summary of Accounting Policies to the Company's consolidated financial statements on Form 10-K for the year ended December 31, 2016. There have been no changes as of September 30, 2017.

Seasonality

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

Inflation

Raw material costs for the Company, cement, aggregates and other direct materials used in production have increased slightly for the first nine months of 2017 and the Company anticipates prices will continue to increase over the remainder of 2017 and into 2018, although no assurance can be given regarding future pricing.

Sales Backlog

As of November 14, 2017, the Company's sales backlog was approximately $21.7 million, as compared to approximately $23.9 million at the same time in 2016. It is estimated that substantially all of the projects in the sales backlog will be produced within 12 months. In the past, the Company excluded from the backlog structural products, which the backlog of structural products had been insignificant in amount. With the increase in the backlog of structural products, the Company is now including structural products in the backlog for 2017 and 2016. Although there has been a decrease in the backlog as compared to the second quarter 2017, the Company is bidding on several large projects, which it expects to receive, that will significantly increase the backlog for the fourth quarter, although no assurance can be given.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

ITEM 4. Controls and Procedures

(a) Disclosure controls and procedures

The Company carried out our evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective at September 30, 2017.

(b) Changes in Internal Control over Financial Reporting

There has been no change in the Company’s internal control over financial reporting during the three months ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1A. Risk Factors

Not required

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

None

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosures

Not applicable

ITEM 5. Other Information

None

ITEM 6. Exhibits

Exhibit No.	Exhibit Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification pursuant 18 U.S.C. Section 1350 as adapted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

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

		SMITH-MIDLAND CORPORATION (Registrant)
Date: November 14, 2017	By:	/s/ Rodney I. Smith Rodney I. Smith, Chief Executive Officer (Principal Executive Officer)
Date: November 14, 2017	By:	/s/ William A. Kenter William A. Kenter, Chief Financial Officer (Principal Financial Officer)

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Smith-Midland Corporation
Exhibit Index to Quarterly Report on Form 10-Q
For The Three Months Ended September 30, 2017

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