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

Form 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2005

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

**For the transition period from _____ to _____
Commission file number: 1-16525**

CVD EQUIPMENT CORPORATION

(Name of Small Business Issuer in Its Charter)

New York

11-2621692

*(State or Other Jurisdiction of
Incorporation or Organization)*

(I.R.S. Employer Identification No.)

1860 Smithtown Avenue

Ronkonkoma, New York 11779

(Address including zip code of registrant's Principal Executive Offices)
(631) 981-7081

(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Act:
None

Securities registered under Section 12(g) of the Act:
Common Stock, Par value \$0.01
(Title of class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether issuer is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **3,127,800 shares of Common Stock, \$0.01 par value at November 11, 2005.**

CVD EQUIPMENT CORPORATION AND SUBSIDIARY

Index

Part I - Financial Information

Item 1 - Financial Statements (Unaudited)

Consolidated Balance Sheets at September 30, 2005 (Unaudited) and December 31, 2004 2

Comparative Consolidated Statements of Operations (Unaudited) for the three and nine months ended September 30, 2005 and 2004 3

Comparative Consolidated Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2005 and 2004 4

Notes to Unaudited Consolidated Financial Statements 5

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations 11

Item 3 - Controls and Procedures 14

Part II - Other Information 15

Item 1 - Legal Proceedings 15

Item 2 – Changes in Securities and Use of Proceeds 15

Item 3 – Defaults Upon Senior Securities 15

Item 4 - Submission of Matters to a Vote of Security Holders 15

Item 5 - Other Information 15

Item 6 - Exhibits and Reports Filed on Form 8-K 16

Signatures 17

Exhibit Index 18

Certification of Chief Executive Officer 19

Certification of Chief Financial Officer 20

Certification of Chief Executive Officer pursuant to U.S.C. Section 1350 21

Certification of Chief Financial Officer pursuant to U.S.C. Section 1350 22

PART 1 - FINANCIAL INFORMATION
Item 1 - Financial Statements

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Balance Sheets

	September 30, 2005 (Unaudited)	December 31, 2004
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 748,116	\$ 171,463
Accounts receivable, net	1,846,873	2,375,257
Cost in excess of billings on uncompleted contracts	324,568	1,110,362
Inventories	2,047,420	1,823,453
Other current assets	79,529	110,743
Total current assets	<u>5,046,506</u>	<u>5,591,278</u>
Property, plant and equipment, net	4,970,288	5,153,017
Deferred income taxes	399,262	300,743
Other assets	566,884	398,587
Intangible assets, net	99,496	109,558
Total assets	<u>\$ 11,082,435</u>	<u>\$ 11,553,183</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 217,250	\$ 213,394
Short-term notes payable	-	850,000
Accounts payable	733,905	725,706
Accrued expenses	666,379	584,443
Accrued professional fees - related party	-	41,626
Customer deposits	102,400	298,152
Deferred revenue	208,190	-
Total current liabilities	<u>1,928,124</u>	<u>2,713,321</u>
Long-term debt, net of current portion	<u>2,977,917</u>	<u>3,140,628</u>
Total liabilities	<u>4,906,040</u>	<u>5,853,949</u>
Commitments and contingencies	---	---
Stockholders' Equity		
Common stock, par value \$.01 per share, authorized 10,000,000 shares; issued and outstanding, 3,127,800 shares at September 30, 2005 and 3,039,100 shares at December 31, 2004	31,278	30,391
Additional paid-in capital	3,049,362	2,902,149
Retained earnings	3,095,755	2,766,694
Total stockholders' equity	<u>6,176,395</u>	<u>5,699,234</u>
Total liabilities and stockholders' equity	<u>\$ 11,082,435</u>	<u>\$ 11,553,183</u>

See notes to the consolidated financial statements

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Revenue:	\$ 2,851,327	\$ 1,629,315	\$ 8,257,961	\$ 5,547,848
Cost of Revenue	<u>1,914,357</u>	<u>1,157,412</u>	<u>5,335,413</u>	<u>3,930,543</u>
Gross profit	<u>936,970</u>	<u>471,903</u>	<u>2,922,548</u>	<u>1,617,305</u>
Operating expenses				
Selling and shipping	181,752	179,425	518,716	489,118
General and administrative	684,955	578,733	1,823,125	1,622,420
Related party - professional fees	<u>15,000</u>	<u>-</u>	<u>50,000</u>	<u>25,000</u>
Total operating expenses	<u>881,707</u>	<u>758,158</u>	<u>2,391,841</u>	<u>2,136,538</u>
Operating income (loss)	<u>55,263</u>	<u>(286,255)</u>	<u>530,707</u>	<u>(519,233)</u>
Other income (expense)				
Interest income	53	173	761	518
Interest expense	(50,591)	(53,768)	(169,629)	(164,634)
Other income	<u>19,726</u>	<u>11,181</u>	<u>34,060</u>	<u>21,081</u>
Total other (expense)	<u>(30,812)</u>	<u>(42,414)</u>	<u>(134,808)</u>	<u>(143,035)</u>
Income (loss) before income taxes	24,451	(328,669)	395,899	(662,268)
Income tax benefit (provision)	<u>\$ 10,338</u>	<u>(2,136)</u>	<u>\$ (66,830)</u>	<u>(3,256)</u>
Net income (loss)	<u>\$ 34,789</u>	<u>\$ (330,805)</u>	<u>\$ 329,069</u>	<u>\$ (665,524)</u>
Basic income (loss) per common share	<u>\$ 0.01</u>	<u>\$ (0.11)</u>	<u>\$ 0.11</u>	<u>\$ (0.22)</u>
Diluted income (loss) per common share	<u>\$ 0.01</u>	<u>\$ (0.11)</u>	<u>\$ 0.10</u>	<u>\$ (0.22)</u>
Weighted average common shares outstanding				
basic income (loss) per share	3,122,463	3,039,100	3,087,553	3,039,100
Effect of potential common share issuance:				
Stock options	<u>152,340</u>	<u>---</u>	<u>107,012</u>	<u>---</u>
Weighted average common shares outstanding				
diluted income (loss) per share	<u>3,274,803</u>	<u>3,039,100</u>	<u>3,194,565</u>	<u>3,039,100</u>

See notes to the consolidated financial statements

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30	
	2005	2004
Cash flows from operating activities		
Net income (loss)	329,069	\$ (665,524)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	265,212	267,425
Deferred tax provision	(98,519)	-
Bad debt provision	(620)	(5,427)
Changes in operating assets and liabilities:		
Accounts receivable	529,004	728,329
Cost in excess of billings on uncompleted contracts	785,794	575,734
Inventory	(223,966)	(965,840)
Other current assets	31,214	(37,199)
Accounts payable	8,199	(7,159)
Accrued expenses	40,307	407,191
Customer deposits	(195,752)	-
Billing in excess of costs on uncompleted contracts	-	(174,068)
Deferred revenue	208,190	-
Net cash provided by (used in) operating activities	<u>1,678,132</u>	<u>123,462</u>
Cash flows from investing activities:		
Capital expenditures	(240,725)	(228,664)
Net cash used in investing activities	<u>(240,725)</u>	<u>(228,664)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	585,000	875,000
Payments of short-term borrowings	(1,435,000)	(575,000)
Proceeds from long-term debt	-	26,460
Payments of long-term debt	(158,854)	(145,803)
Net proceeds from stock options exercised	148,100	-
Net cash (used in) provided by financing activities	<u>(860,754)</u>	<u>180,657</u>
Net increase in cash and cash equivalents	576,653	75,455
Cash and cash equivalents at beginning of period	<u>171,463</u>	<u>321,490</u>
Cash and cash equivalents at end of period	<u>\$ 748,116</u>	<u>\$ 396,945</u>

See notes to consolidated financial statements

**CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the interim financials not misleading have been included and all such adjustments are of a normal recurring nature. The operating results for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that can be expected for the year ending December 31, 2005.

The balance sheet as of December 31, 2004 has been derived from the audited financial statements at such date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The accounting policies followed by the Company are set forth in Note 2 to the Company's consolidated financial statements in the December 31, 2004 Form 10-KSB.

For further information, please refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report of Form 10-KSB for the year ended December 31, 2004.

Intercompany transactions have been eliminated in consolidation.

Certain reclassifications have been made to prior period financial statements to conform to the current year presentation.

**CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and Income Recognition

The Company recognizes revenues and income using the percentage-of-completion method for custom production-type contracts while revenues from other products are recorded when such products are accepted and shipped. Profits on custom production-type contracts are recorded on the basis of the Company's estimates of the percentage-of-completion of individual contracts, commencing when progress reaches a point where experience is sufficient to estimate final results with reasonable accuracy. Under this method, revenues are recognized based on costs incurred to date compared with total estimated costs.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed.

The liability, "Billings in excess of costs on uncompleted contracts" represents amounts billed in excess of revenues earned.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents.

New Accounting Pronouncements

In May 2005, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 154 "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 requires that the cumulative effect of voluntarily changing to a new accounting principle be applied retroactively to prior period financial statements. Prior to the effective date of SFAS 154, the cumulative effect of voluntarily changing to a new accounting principle was included in the operating results of the period in which such change was adopted. SFAS 154 is effective for fiscal years beginning after December 15, 2005. The Company expects that the adoption of SFAS 154 will not have a significant impact on its financial statements.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: UNCOMPLETED CONTRACTS

Costs, estimated earnings and billings on uncompleted contracts are summarized as follows:

	<u>September 30, 2005</u>	<u>December 31, 2004</u>
Costs incurred on uncompleted contracts	\$ 327,660	\$1,142,057
Estimated earnings	<u>318,058</u>	<u>1,084,166</u>
	645,718	2,226,223
Billings to date	<u>(321,150)</u>	<u>(1,115,861)</u>
	<u>\$ 324,568</u>	<u>\$1,110,362</u>
Included in accompanying balance sheets Under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 324,568	\$ 1,110,362
Billings in excess of costs and estimate earnings on uncompleted contracts	<u>0</u>	<u>0</u>
	<u>\$ 324,568</u>	<u>\$ 1,110,362</u>

NOTE 4: ACQUISITION OF ASSETS

On May 26, 2005, the Company purchased from First Nano, Inc. certain of their Nanotechnology process development and equipment assets. The purchase was made with cash funds from the Company and the assumption of certain liabilities, both of which are considered to be insignificant to the overall operations of the business. First Nano develops solutions for single and multiwall nanotube and nanowire synthesis and manufactures chemical vapor deposition process equipment suitable for the synthesis of a variety of carbon nanotubes, one-dimensional and nanostructures and nanomaterials.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INVENTORY

Inventories consist of the following:

	<u>September 30, 2005</u>	<u>December 31, 2004</u>
Raw materials	\$ 530,248	\$ 628,934
Work-in-process	1,052,988	686,325
Finished goods	<u>464,184</u>	<u>508,194</u>
	<u>\$2,047,420</u>	<u>\$ 1,823,453</u>

NOTE 6: BAD DEBTS

Accounts receivables are presented net of an allowance for doubtful accounts of \$23,108 and \$23,728 as of September 30, 2005 and December 31, 2004, respectively. The allowance is based on prior experience and management's evaluation of the collectibility of accounts receivable. Management believes the allowance is adequate. However, future estimates may change based on changes in economic conditions.

NOTE 7: SHORT TERM BORROWINGS

	<u>September 30, 2005</u>	<u>December 31, 2004</u>
	\$ 0	\$850,000

The Company has a line of credit with a bank permitting it to borrow on a revolving basis amounts up to the lesser of \$1,000,000 or the availability under the borrowing base formula until June 1, 2006. The borrowing base shall not exceed 75% of eligible accounts receivable, defined as accounts receivable not aged more than ninety days from invoice date. Interest is payable on any unpaid principal balance at the bank's prime rate plus $\frac{3}{4}$ of 1%. As of September 30, 2005, \$0 was outstanding on this facility. The prime rate was 6.75% and 5.25% and the amount outstanding on the facility was \$0 and \$850,000 on September 30, 2005 and December 31, 2004 respectively. Borrowings are collateralized by the Company's assets

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: STOCK OPTION PLANS

The Company accounts for the stock option plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, accounting for Stock-based Compensation, to stock-based employee compensation.

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net income (loss), as reported	\$ 34,789	\$(330,805)	\$ 329,069	\$(665,524)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	-	-	-	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	<u>(30,467)</u>	<u>(3,213)</u>	<u>(34,846)</u>	<u>(72,532)</u>
Pro forma net income (loss)	<u>\$ 4,322</u>	<u>\$(334,018)</u>	<u>\$ 294,223</u>	<u>\$(738,056)</u>
Earnings (loss) per share:				
Basic-as reported	<u>\$ 0.01</u>	<u>\$ (0.11)</u>	<u>\$ 0.11</u>	<u>\$ (0.22)</u>
Basic-pro forma	<u>\$ 0.00</u>	<u>\$ (0.11)</u>	<u>\$ 0.10</u>	<u>\$ (0.24)</u>
Diluted-as reported	<u>\$ 0.01</u>	<u>\$ (0.11)</u>	<u>\$ 0.10</u>	<u>\$ (0.22)</u>
Diluted-pro forma	<u>\$ 0.00</u>	<u>\$ (0.11)</u>	<u>\$ 0.09</u>	<u>\$ (0.24)</u>

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: INCOME TAXES

The provision (benefit) for income taxes includes the following:

	<u>Three Months Ended September 30, 2005</u>	<u>Nine Months Ended September 30, 2005</u>
Current:		
Federal	\$ (115,701)	\$ 130,876
State	<u>(4,459)</u>	<u>34,473</u>
Total Current Provision	(120,160)	165,349
Deferred:		
Federal	87,539	(73,230)
State	<u>22,283</u>	<u>(25,289)</u>
Total Deferred (Benefit)	<u>109,822</u>	<u>(98,519)</u>
	<u>\$ (10,338)</u>	<u>\$ 66,830</u>

The Company's federal and state net operating loss carry forwards of approximately \$800,000 have been utilized through September 30, 2005. For the nine months ended September 30, 2005, the Company recorded a current income tax expense of approximately \$67,000, which related to various federal, state and local taxes. The current income tax provision was reduced by approximately \$335,000 as a result of the use of available net operating losses.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying notes filed as part of this report.

Except for historical information contained herein, this "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, as amended. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Important assumptions and other factors that could cause actual results to differ materially from those in the forward-looking statements, include but are not limited to: competition in the Company's existing and potential future product lines of business; the Company's ability to obtain financing on acceptable terms if and when needed; uncertainty as to the Company's future profitability, uncertainty as to the future profitability of acquired businesses or product lines, uncertainty as to any future expansion of the Company. Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements and the failure of such assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. The Company assumes no obligation to update these forward looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Results of Operations

Revenue for the three month period ended September 30, 2005 was \$2,851,327 compared to \$1,629,315 for the three month period ended September 30, 2004, an increase of 75.2%. The Company continues to experience an increase in sales that began during the fourth quarter of 2004.

Revenue for the nine months ended September 30, 2005 was approximately \$8,258,000 representing an increase of approximately \$2,710,000 or 48.8% over the revenue of \$5,548,000 earned during the nine months ended September 30, 2004. The Company is experiencing an increase in the number of inquiries and proposal submissions which has resulted in an increase in revenue during the current nine month period.

The Company's gross profit increased to approximately \$937,000 during the three months ended September 30, 2005, an increase of approximately \$465,000 or 98.5% compared to the gross profit of approximately \$472,000 for three months ended September 30, 2004. This increase is

attributable to the Company's continuous and successful efforts to reduce the direct costs incurred in manufacturing the product lines. In addition, the increased revenue enables the Company to better absorb the fixed costs incurred.

The Company generated a gross profit of approximately \$2,923,000 and a gross profit margin of 35.4% for the nine months ended September 30, 2005 compared to a gross profit of approximately \$1,617,000 and a gross profit margin of 29.1% for the nine months ended September 30, 2004 as a result of the Company's ability to more readily absorb those fixed costs through greater revenues and continuous cost reductions in the product lines.

Selling and shipping expenses for the three and nine months ended September 30, 2005 were \$181,752 and \$518,716, respectively. This represents a marginal 1.3% increase over the same three month period one year ago and a 6.0% increase over the same nine month period one year ago. The increase is a result of the increase in costs associated with trade shows attended by the Company as well as additional shipping costs associated with the increased revenues.

The Company incurred approximately \$700,000 of general and administrative expenses during the quarter ended September 30, 2005, representing an increase of 20.7% or approximately \$120,000 compared to the approximately \$579,000 of general and administrative expenses incurred in the quarter ended September 30, 2004. This increase is a result of a combination of increased personnel as well as various increases in employee benefit costs, insurance, professional fees and energy costs.

General and administrative expenses for the nine months ended September 30, 2005 were approximately \$1,873,000 compared to approximately \$1,647,000 incurred during the nine months ended September 30, 2004, an increase of 13.7%. This increase is also attributable to the increases experienced in additional personnel, employee benefit costs, insurance, professional fees and energy costs.

Interest expense for the three months ended September 30, 2005 decreased to \$50,591 compared to \$53,768. This is a result of reduced borrowing by the Company during the current three month period.

Interest expense for the nine months ended September 30, 2005 was \$169,629 which amounted to an increase of \$4,995 or 3.0% compared to \$164,634 for the nine months ended September 30, 2004. This increase is a result of increased borrowing by the Company earlier in the current year as well as the higher interest rates charged by the Company's lender due to the increase in the prime rate of interest. The prime rate of interest is currently 6.75% compared to 4.75% a year earlier.

The Company's federal and state net operating loss carry forwards of approximately \$800,000 have been utilized through September 30, 2005. For the nine months ended September 30, 2005, the Company recorded income tax expense of approximately \$67,000 which related to various federal, state and local taxes. The current income tax provision was reduced by approximately \$335,000 as a result of the use of available net operating losses.

As a result of the foregoing factors, for the three and nine months ended September 30, 2005, earned approximately \$35,000 and \$329,000, respectively compared to net losses of approximately \$331,000 and \$666,000 for the same periods, respectively, one year ago. The increase in earnings is primarily attributable to both the increase in revenues during the current period and the cost reductions achieved in manufacturing.

Liquidity and Capital Resources

As of September 30, 2005, the Company had an aggregate working capital of approximately \$3,118,000 compared to \$2,878,000 at December 31, 2004 an increase of \$240,000. This increase was the result of the following: our net income, after adding back depreciation and amortization, increased working capital by approximately \$594,000. The increase in working capital also included approximately \$148,000 in net proceeds from the exercise of our stock options. These increases were partially offset by an investment in capitalized software of \$205,000 and by an additional \$35,000 for the acquisition of equipment. The remaining decrease in working capital of \$262,000 was due to changes in other current assets and liabilities.

Accounts receivable as of September 30, 2005 was \$1,846,873 compared to \$2,375,257 as of December 31, 2004. This decrease is attributable to timing of customer payments.

As of September 30, 2005 the Company's backlog was approximately \$2,473,000, an increase of \$43,000 or 1.8% compared to \$2,430,000 at December 31, 2004. The timing for completion of the backlog varies depending on the product mix, however, there is generally a one to six month lag in the completion and shipping of backlogged product.

The Company has a line of credit with a bank permitting it to borrow on a revolving basis amounts up to the lesser of \$1,000,000 or the availability under the borrowing base formula until June 1, 2006. The borrowing base shall not exceed 75% of eligible accounts receivable, defined as accounts receivable not aged more than ninety days from invoice date. Interest is payable on any unpaid principal balance at the bank's prime rate plus $\frac{3}{4}$ of 1%. As of September 30, 2005, \$0 was outstanding on this facility. Borrowings are collateralized by the Company's assets.

The Company believes that its cash, cash equivalents and available credit facilities will be sufficient to meet its working capital and investment requirements for the next twelve months. However, future growth, including potential acquisitions, may require additional funding, and from time to time the Company may need to raise capital through additional equity or debt financing.

Item 3. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Exchange Act Rule 13a-15, as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to insure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

Changes in Internal Controls

There were no significant changes in the Company's internal controls over financial reporting that occurred during the three and nine months ended September 30, 2005 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

Limitations on the Effectiveness of Controls

We believe that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

CVD EQUIPMENT CORPORATION

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders.

At our annual meeting of stockholders, which was held on September 13, 2005, our stockholders:

- (1) Elected five nominees for directors to serve for a term ending in 2006;
- (2) Approved the selection of Moore Stephens, P.C. as the Company's independent registered public accounting firm for the year ending December 31, 2005.

The following tables show the common stock votes cast with respect to the proposals identified above:

Election of Directors:

	<u>For</u>	<u>Withheld Authority</u>
Leonard A. Rosenbaum	2,871,908	16,460
Martin J. Teitelbaum	2,971,998	16,370
Alan H. Temple Jr.	2,871,448	16,920
Conrad J. Gunther	2,870,048	18,320
Bruce T. Swan	2,869,448	18,920

Proposal 2:	<u>For</u>	<u>Against</u>	<u>Abstentions</u>
	2,886,228	2,140	0

Item 5. Other Information.

None.

Item 6. Exhibits and Reports Filed on Form 8-K

(a) Exhibits filed with this report:

31.1 Certification of Chief Executive Officer

31.2 Certification of Chief Financial Officer

32.1 Certification of Chief Executive Officer pursuant to U.S.C. Section 1350

32.2 Certification of Chief Financial Officer pursuant to U.S.C. Section 1350

(b) Reports on Form 8-K

None

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, this 14th day of November 2005.

CVD EQUIPMENT CORPORATION

By: /s/ Leonard A. Rosenbaum
Leonard A. Rosenbaum
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Glen R. Charles
Glen R. Charles
Chief Financial Officer
(Principal Financial and
Accounting Officer)

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
31.1	Certification of Chief Executive Officer *
31.2	Certification of Chief Financial Officer *
32.1	Certification of Chief Executive Officer pursuant to U.S.C. Section 1350 *
32.2	Certification of Chief Financial Officer pursuant to U.S.C. Section 1350 *

* Filed herewith

**Certifications Pursuant to Rule 13A-14 or 15D-14 of the Securities Exchange
Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Leonard A. Rosenbaum, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CVD Equipment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2005

/s/ Leonard A. Rosenbaum

President, Chief Executive Officer and Director

**Certifications Pursuant to Rule 13A-14 or 15D-14 of the Securities exchange
act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Glen R. Charles, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CVD Equipment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 14, 2005

/s/ Glen R. Charles

Chief Financial Officer

Certification of Principal Executive Officer
Pursuant to U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of
2002

I, Leonard A. Rosenbaum, President and Chief Executive Officer of CVD Equipment Corporation, hereby certify, to my knowledge, that the quarterly report on Form 10-QSB for the period ending September 30, 2005 of CVD Equipment Corporation (the "Form 10-QSB") fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of CVD Equipment Corporation.

Dated: November 14, 2005 /s/ Leonard A. Rosenbaum
Leonard A. Rosenbaum
Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer
Pursuant to U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of
2002

I, Glen R. Charles, Chief Financial Officer of CVD Equipment Corporation, hereby certify, to my knowledge, that the quarterly report on Form 10-QSB for the period ending September 30, 2005 of CVD Equipment Corporation (the "Form 10-QSB") fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of CVD Equipment Corporation.

Dated: November 14, 2005 /s/ Glen R. Charles
Glen R. Charles
Chief Financial Officer
(Principal Financial Officer)