
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, 2007

☐ **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)

(Former name, former address and former fiscal year, if changed since last report)

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 a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **4,718,500 shares of Common Stock, \$0.01 par value at November 9, 2007.**

Transitional Small Business Disclosure Format (Check One): Yes ☐ No ☒

CVD EQUIPMENT CORPORATION AND SUBSIDIARY

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PART 1 - FINANCIAL INFORMATION
Item 1 - Financial Statements

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Balance Sheets

| | September 30, 2007 (Unaudited) | December 31, 2006 |
|---|-----------------------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 4,294,343 | \$ 257,341 |
| Accounts receivable, net | 2,621,356 | 2,377,069 |
| Investments | 251,130 | 251,130 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 1,631,485 | 716,663 |
| Inventories | 2,833,614 | 2,704,506 |
| Other current assets | 562,456 | 118,300 |
| Total current assets | 12,194,383 | 6,425,009 |
| Property, plant and equipment, net | 4,975,779 | 4,778,807 |
| Deferred income taxes | 949,605 | 899,904 |
| Other assets | 737,074 | 708,114 |
| Intangible assets, net | 88,817 | 105,775 |
| Total assets | <u>\$ 18,945,659</u> | <u>\$ 12,917,609</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Current maturities of long-term debt | \$ 219,182 | \$ 223,653 |
| Bank line of credit | - | 210,000 |
| Short-term debt | - | 2,109 |
| Accounts payable | 576,370 | 640,771 |
| Accrued expenses | 1,098,239 | 686,771 |
| Accrued professional fees - related party | 35,000 | 35,000 |
| Deferred revenue | 371,055 | 212,250 |
| Deferred tax liability | 246,635 | 263,396 |
| Total current liabilities | 2,546,481 | 2,273,950 |
| Long-term debt, net of current portion | 2,734,975 | 2,776,801 |
| Deferred tax liability | 587,378 | 666,948 |
| Total liabilities | 5,868,834 | 5,717,699 |
| Commitments and contingencies | --- | --- |
| Stockholders' Equity | | |
| Common stock, par value \$.01 per share, authorized 10,000,000 shares; issued and outstanding, 4,535,000 shares at September 30, 2007 and 3,250,500 shares at December 31, 2006 | 45,350 | 32,505 |
| Additional paid-in capital | 8,732,229 | 3,405,474 |
| Retained earnings | 4,299,246 | 3,761,931 |
| Total stockholders' equity | 13,076,825 | 7,199,910 |
| Total liabilities and stockholders' equity | <u>\$ 18,945,659</u> | <u>\$ 12,917,609</u> |

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

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

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenue | \$ 3,302,830 | \$ 3,635,531 | \$ 10,185,351 | \$ 9,958,136 |
| Costs of revenue | <u>2,238,191</u> | <u>2,218,537</u> | <u>6,693,213</u> | <u>6,404,719</u> |
| Gross profit | <u>1,064,639</u> | <u>1,416,994</u> | <u>3,492,138</u> | <u>3,553,417</u> |
| Operating expenses | | | | |
| Selling and shipping | 137,150 | 222,391 | 563,720 | 619,622 |
| General and administrative | 754,701 | 730,532 | 2,297,947 | 2,180,182 |
| Related party - professional fees | <u>-</u> | <u>10,000</u> | <u>35,000</u> | <u>20,000</u> |
| Total operating expenses | 891,851 | 962,923 | 2,896,667 | 2,819,804 |
| Operating income | <u>172,788</u> | <u>454,071</u> | <u>595,471</u> | <u>733,613</u> |
| Other income (expense) | | | | |
| Interest income | 2,749 | 340 | 2,810 | 748 |
| Interest expense | (64,564) | (57,882) | (170,337) | (173,409) |
| Other income | <u>517,657</u> | <u>9,845</u> | <u>557,060</u> | <u>96,599</u> |
| Total other (expense) | 455,842 | (47,697) | 389,533 | (76,062) |
| Income before income taxes | 628,630 | 406,374 | 985,004 | 657,551 |
| Income tax provision | <u>(352,652)</u> | <u>(177,523)</u> | <u>(447,689)</u> | <u>(292,690)</u> |
| Net income | <u>\$ 275,978</u> | <u>\$ 228,851</u> | <u>537,315</u> | <u>\$ 364,861</u> |
| Basic income per common share | <u>\$ 0.08</u> | <u>\$ 0.07</u> | <u>\$ 0.16</u> | <u>\$ 0.12</u> |
| Diluted income per common share | <u>\$ 0.08</u> | <u>\$ 0.07</u> | <u>\$ 0.16</u> | <u>\$ 0.11</u> |
| Weighted average common shares outstanding | | | | |
| basic income per share | 3,395,321 | 3,198,247 | 3,327,256 | 3,155,710 |
| Effect of potential common share issuances: | | | | |
| Stock options | <u>122,419</u> | <u>69,534</u> | <u>134,155</u> | <u>102,816</u> |
| Weighted average common shares outstanding | | | | |
| diluted income per share | <u>3,517,740</u> | <u>3,267,781</u> | <u>3,461,411</u> | <u>3,258,526</u> |

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

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

| | Nine Months Ended September 30 | |
|---|-----------------------------------|-------------------|
| | 2007 | 2006 |
| Cash flows from operating activities | | |
| Net income | \$ 537,315 | \$ 364,861 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 318,367 | 244,792 |
| Deferred tax benefit | (146,032) | 214 |
| Stock based compensation expense | 128,468 | 128,889 |
| Bad debt provision | 11,360 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (255,647) | (293,375) |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (914,822) | 3,979 |
| Inventories | (129,108) | (507,863) |
| Other current assets | (444,156) | (89,361) |
| Other assets | (133,300) | - |
| Accounts payable | (64,401) | 30,064 |
| Accrued expenses | 411,469 | 277,162 |
| Deferred revenue | 158,805 | 72,420 |
| Net cash (used in) provided by operating activities | <u>(521,682)</u> | <u>231,782</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (398,083) | (222,264) |
| Deposits | 4,043 | - |
| Net cash used in investing activities | <u>(394,040)</u> | <u>(222,264)</u> |
| Cash flows from financing activities: | | |
| Proceeds from short-term borrowings | 1,125,000 | 1,310,000 |
| Payments of short-term borrowings | (1,335,000) | (1,285,000) |
| Proceeds from bank line of credit - long-term | 1,505,000 | - |
| Payments to bank line of credit - long-term | (1,505,000) | - |
| Proceeds from long-term debt | 139,510 | 115,309 |
| Payments of long-term debt | (187,917) | (190,676) |
| Net proceeds from issuance of common stock | 5,058,032 | - |
| Net proceeds from stock options exercised | 153,100 | 129,875 |
| Net cash provided by financing activities | <u>4,952,725</u> | <u>79,508</u> |
| Net increase in cash and cash equivalents | 4,037,002 | 89,026 |
| Cash and cash equivalents at beginning of period | <u>257,341</u> | <u>265,454</u> |
| Cash and cash equivalents at end of period | <u>\$ 4,294,343</u> | <u>\$ 354,480</u> |
| Supplemental disclosure of cash flow information: | | |
| Income taxes paid | \$ 108,076 | \$ 8,354 |
| Interest paid | 166,261 | 172,109 |
| Equipment reclassified to inventory | - | 84,897 |

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

**CVD EQUIPMENT CORPORATION AND SUBSIDIARY
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, 2007 are not necessarily indicative of the results that can be expected for the year ending December 31, 2007.

The balance sheet as of December 31, 2006 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 CVD Equipment Corporation and Subsidiary, (the "Company") are set forth in Note 2 to the Company's consolidated financial statements in the December 31, 2006 Form 10-KSB.

For further information, please refer to the consolidated financial statements and notes thereto included in the Company's Annual Report of Form 10-KSB for the year ended December 31, 2006.

Intercompany transactions have been eliminated in consolidation.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of CVD Equipment Corporation and its wholly owned subsidiary. In December 1998, a subsidiary, Stainless Design Concepts, Ltd., was formed as a New York Corporation. In April 1999, this subsidiary was merged into CVD Equipment Corporation. The Company has one inactive subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as revenues on long-term contracts recognized on the percentage-of-completion method, allowances for doubtful accounts, depreciation and amortization, tax provisions and product warranties.

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.

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.

Investments

Investments in unconsolidated companies in which the Company owns less than a 20% interest or does not exercise a significant influence are carried at cost.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3: INVESTMENTS

The Company sold equipment to a customer for a purchase price of one hundred four thousand, four hundred eighty two (104,482) shares of common stock, par value \$.001 per share. Between July 19, 2007 and July 31, 2007, the Company had the option to demand that the customer make cash payment i.e. two hundred fifty-one thousand, one hundred thirty 00/100 U.S. dollars (\$251,130) for the equipment, the amount that would have been required had the customer made cash payment for the equipment on July 19, 2006 in exchange for the return of the customer said stock. The customer's obligation to make such payment pursuant to the terms of the option is secured by a perfected lien upon the subject equipment and the Company's right to execute upon the aforesaid common stock. In the event the customer does not make full payment, the Company has also reserved the right to maintain plenary proceedings against the customer for the purpose of recovering such sums as may be due as well as the right to obtain a deficiency judgment in the event that the collateral in the equipment and stock is insufficient to discharge said obligation.

The Company agreed to extend the option to demand cash payment to the period between December 1, 2007 and March 12, 2008 in exchange for fifty thousand (50,000) shares of the customer's common stock.

NOTE 4: UNCOMPLETED CONTRACTS

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

| | <u>September 30, 2007</u> | <u>December 31, 2006</u> (Audited) |
|---|---------------------------|---------------------------------------|
| Costs incurred on uncompleted contracts | \$ 1,655,904 | \$1,509,672 |
| Estimated earnings | <u>2,595,712</u> | <u>2,015,836</u> |
| | 4,251,616 | 3,525,508 |
| Billings to date | <u>(2,620,131)</u> | <u>(2,808,845)</u> |
| | <u>\$ 1,631,485</u> | <u>\$ 716,663</u> |
| Included in accompanying balance sheets | | |
| Under the following caption: | | |
| Costs and estimated earnings in excess | | |
| of billings on uncompleted contracts | \$ 1,631,485 | \$ 716,663 |

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 5: INVENTORIES

Inventories consist of the following:

| | <u>September 30, 2007</u> | <u>December 31, 2006</u> (Audited) |
|-----------------|---------------------------|---------------------------------------|
| Raw materials | \$1,053,158 | \$ 860,085 |
| Work-in-process | 1,547,670 | 1,515,460 |
| Finished goods | <u>232,786</u> | <u>328,961</u> |
| | <u>\$2,833,614</u> | <u>\$ 2,704,506</u> |

NOTE 6: BAD DEBTS

Accounts receivables are presented net of an allowance for doubtful accounts of \$18,577 and \$7,217 as of September 30, 2007 and December 31, 2006 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: BANK LINE OF CREDIT

| | <u>September 30, 2007</u> | <u>December 31, 2006</u> (Audited) |
|-----------------------|---------------------------|---------------------------------------|
| Short Term Borrowings | \$ --- | \$210,000 |
| Long term Borrowings | \$ --- | --- |

On June 1, 2007, the Company entered into a new \$2 million three-year revolving credit facility with a bank permitting it to borrow on a revolving basis until June 1, 2010. Interest on the unpaid principal balance on this facility accrues at either (i) the LIBOR Rate plus 2.50% or (ii) the bank's Prime Rate plus .25%. Borrowings under the facility are secured by substantially all of the Company's personal property. The amount outstanding on the facility was \$0 and \$210,000 on September 30, 2007 and December 31, 2006 respectively. On September 28, 2007, the Company signed a commitment letter from the same bank to increase this revolving credit facility to \$5 million, the closing of which is pending.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 8: STOCK COMPENSATION EXPENSE

On January 1, 2006, the Company adopted the provisions of SFAS No. 123-R "Share-Based Payment" using the modified prospective method. SFAS No. 123-R requires companies to recognize the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards. Under the modified prospective method of adopting SFAS No. 123-R, the Company recognized compensation cost for all share-based payments granted after January 1, 2006, plus any awards granted to employees prior to January 1, 2006 that remain unvested at that time. Under this method of adoption, no restatement of prior periods is made.

During the three and nine months ended September 30, 2007 and September 30, 2006, the Company recorded into selling and general administrative expense approximately \$43,200 and \$128,468 and \$42,963 and \$128,889 respectively for the cost of employee services received in exchange for equity instruments based on the grant-date fair value of those instruments in accordance with the provisions of SFAS No. 123-R.

NOTE 9 LEGAL PROCEEDINGS

On September 18, 2007 a settlement was reached between the Company and PrecisionFlow Technologies, Inc. of pending litigation. Under the terms of the settlement, all claims and counterclaims asserted by the parties in previously filed lawsuits were discontinued in consideration of which the Company will receive payments totaling \$541,600 to be paid over a specific timetable as defined.

NOTE 10: INCOME TAXES

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

| | <u>Nine Months Ended September 30, 2007</u> | <u>Nine Months Ended September 30, 2006</u> |
|--------------------------|---|---|
| Current: | | |
| Federal | \$ 463,686 | \$ 281,635 |
| State | <u>130,035</u> | <u>10,841</u> |
| Total Current Provision | 593,721 | 292,476 |
| Deferred: | | |
| Federal | (134,932) | (3,196) |
| State | <u>(11,100)</u> | <u>3,410</u> |
| Total Deferred (Benefit) | <u>(146,032)</u> | <u>214</u> |
| | <u>\$ 447,689</u> | <u>\$ 292,690</u> |

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

All of the Company's federal net operating loss ("NOL'S") carry forwards of approximately \$40,000 have been utilized and all of the Company's \$214,000 state NOL'S carry forwards have been utilized through September 30, 2007.

NOTE 11: ISSUANCE OF COMMON STOCK

In September 2007, the Company filed registration statements on Form S-1 with the Securities and Exchange Commission for the sale of 1,200,000 shares of its common stock in an underwritten public offering at a price to the public of \$4.75 per share. Net proceeds to the Company were approximately \$5 million net of \$300,000 of offering expenses and after deducting \$370,500 of underwriting commissions. The Company also granted the underwriter a 30-day option to purchase up to 180,000 additional shares of common stock to cover over-allotments.

NOTE 12: SUBSEQUENT EVENT

In October 2007, the underwriter exercised its option to purchase 180,000 additional shares of common stock. The Company received net proceeds of approximately \$800,000.

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

Three and Nine Months Ended September 30, 2007 vs. Three and Nine Months Ended September 30, 2006

Revenues:

Revenue for the three and nine month periods ended September 30, 2007 was approximately \$3,303,000 and \$10,185,000 compared to approximately \$3,636,000 and \$9,958,000 for the three month and nine month periods ended September 30, 2006. This represents a decrease of 9.2% for the comparable three month period and a 2.3% increase for the comparable nine month period. Revenues for the current nine month period were impacted by the Company's decision to raise additional capital and focus on the CVD and First Nano product lines which we anticipate will add to the Company's long-term growth and profitability.

Gross Profit

The Company generated gross profits of approximately \$1,065,000 and \$3,492,000 resulting in gross profit margins of 32.2% and 34.3% for the three and nine months ended September 30, 2007 compared to gross profits of approximately \$1,417,000 and \$3,553,000 resulting in gross profit margins of 39.0% and 35.7% for the three and nine months ended September 30, 2006. The decrease in gross profit is due to additional new hires, as a result of the Company's expansion plans for the First Nano product line.

Selling, General and Administrative Expenses:

Selling and shipping expenses for the three months ended September 30, 2007 and 2006 were \$137,150 and \$222,391 respectively, representing a 38.3% decrease. This decrease is attributed directly to a decrease in sales commissions. Sales concluded in the current period were primarily attributable to our direct sales personnel and therefore not subject to outside sales commissions.

Selling and shipping expenses for the nine months ended September 30, 2007 and 2006 were approximately \$564,000 and \$620,000 respectively, representing a 9.0% decrease. This decrease is primarily attributed to a decrease in sales commissions. Sales concluded in this period were primarily by our direct sales personnel and therefore not subject to outside sales commissions. However, this decrease is partially offset by an increase in trade show expenses corresponding to implementation of the Company's sales and marketing program.

The Company incurred approximately \$755,000 and \$2,333,000 of general and administrative expenses during the three and nine months ended September 30, 2007, compared to the approximately \$741,000 and \$2,200,000 in the three and nine months ended September 30, 2006 representing increases of 1.9% and 6.1% or approximately \$14,000 and \$133,000. The nine month increase is primarily attributed to increases in employee benefit costs, professional fees, insurance and energy costs.

Operating Income:

As a result of the foregoing factors, operating income was \$173,000 and \$595,000 for the three and nine months ended September 30, 2007 respectively. This represents a decrease of 61.9% and 18.8% compared to operating income of \$454,000 and \$734,000 for the three and nine month periods ended September 30, 2006.

Other Expense/Income:

Interest expense for the three and nine months ended September 30, 2007 was approximately \$65,000 and \$170,000 respectively compared to approximately \$58,000 and \$173,000 for the three and nine months ended September 30, 2006. The increase was due to increased borrowing by the Company.

On September 25, 2007, the Company sold 1.2 million shares of common stock under a registration statement filed with the Securities and Exchange Commission. As a result, during the three months ended September 30, 2007, the Company earned interest of \$2,749 from these proceeds.

Other income during the three and nine months ended September 30, 2007 was approximately \$518,000 and \$557,000 compared to approximately \$10,000 and \$97,000 for the corresponding period one year ago. This increase was the result of a settlement of litigation between the Company and PrecisionFlow Technologies, Inc. Under the terms of the settlement, all claims and counterclaims asserted by the parties were discontinued in consideration of which the Company will receive payments totaling \$541,600 to be paid over a specific timetable.

For the three and nine months ended September 30, 2007, the Company had earnings before taxes of approximately \$620,000 and \$985,000 compared to approximately \$406,000 and \$658,000 for the three and nine months ended September 30, 2006. For the three and nine months ended September 30, 2007, the Company recorded a current income tax expense of approximately \$402,000 and \$594,000 respectively, which related to various federal, state and local taxes. This current income tax provision was reduced by a deferred tax benefit of \$49,000 and \$146,000 respectively. For the three months ended September 30, 2006, the Company recorded a current tax expense of approximately \$78,000 increased by deferred taxes of \$100,000. For the nine months ended September 30, 2006, the Company recorded a current income tax expense of \$293,000.

Net Income:

The Company reported net income of approximately \$276,000 for the current three month period compared to net income of approximately \$229,000 for the same period, one year ago. This increase was primarily due to the settlement reached on the PrecisionFlow litigation offset by an increase in income taxes.

For the nine month period ended September 30, 2007, the Company reported net income of approximately \$537,000 as compared to net income of \$365,000 for the nine months ended September 30, 2006. This increase was primarily due to the settlement reached on litigation offset by an increase in income taxes.

Liquidity and Capital Resources

In September 2007 the Company completed the sale of 1,200,000 shares of common stock in a public offering at \$4.75 per share. The net proceeds of the sale after offering expenses and underwriting fees was approximately \$5 million. The Company intends to use the net proceeds from the offering for working capital and other general corporate purposes, including possible product or business acquisitions in connection with the planned expansion of our business.

As of September 30, 2007, the Company had aggregate working capital of approximately \$9,648,000 compared to \$4,151,000 at December 31, 2006 an increase of \$5,497,000. This increase was primarily the result of approximately \$5,330,000 received from the issuance of common stock in our public offering and the settlement of the PrecisionFlow litigation which yielded an additional \$408,000 of working capital. In addition, working capital increased by the estimated earnings in excess of billings on uncompleted contracts of approximately \$915,000. This was partially offset by an increase in accrued expenses of \$412,000 and the repayment of \$210,000 under the Company's revolving credit facility.

Accounts receivable at September 30, 2007 was \$2,621,356 compared to \$2,377,069 at December 31, 2006. This increase is primarily attributable to the timing of shipments and customer payments.

As of September 30, 2007, the Company's backlog was approximately \$4,982,000, an increase of \$1,417,000 or 39.7% compared to \$3,565,000 at December 31, 2006. Timing for completion of backlog varies depending on the product mix, however, there is generally a one to six month lag in the completion and shipping of backlog. Backlog from quarter to quarter can vary based on the timing of order placements and shipments. Demand for CVD and First Nano systems continues to remain strong.

Revolving Credit Facility and Borrowings

On June 1, 2007, the Company entered into a three year Revolving Credit Agreement with a bank permitting it to borrow on a revolving basis amounts up to \$2,000,000 until June 1, 2010, at which time it will be subject to renewal. The loan will bear interest on any unpaid principal balance at a rate to be elected by the Company, which shall be equal to either (1) the LIBOR Rate plus 2.50% or (2) the bank's prime rate plus 1/4 of 1%. This agreement contains certain financial and other covenants, with which the Company was in compliance at September 30, 2007. Borrowings are collateralized by the Company's assets. On September 28, 2007, the Company signed a commitment letter from the same bank to increase this revolving credit facility to \$5 million, the closing of which is pending.

The Company had an equipment line of credit of \$250,000 with that same bank. This line of credit was discontinued as of June 1, 2007 with the inception of the new three year Revolving Credit Agreement previously discussed.

The Company believes that its cash and cash equivalents resulting from the September 2007 public offering and the available credit facilities discussed above, is sufficient to support operations and will enable the Company to pursue our growth strategies for the next twelve months.

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 nine months ended September 30, 2007 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.

In September 1999, the Company was named in a lawsuit filed by PrecisionFlow Technologies, Inc. ("PFT"), in the United States District Court for the Northern District of New York, relating to comments allegedly made by the Company's President and Chief Executive Officer, Leonard A. Rosenbaum, concerning the intellectual property obtained in the purchase of assets of Stainless Design Corporation. The Company promptly filed a counterclaim for unauthorized use of its intellectual property and filed a complaint against the President of PFT (these two actions have been consolidated) alleging the same acts as set forth in the counterclaim. The plaintiff is seeking monetary damages and injunctive relief. In the Company's counterclaim, it is also seeking monetary damages and injunctive relief. All pre-trial disclosure has been completed. The Company withdrew certain of its counterclaims following the completion of discovery and the court has dismissed certain of the claims which had been asserted by PFT. No trial date has been set.

In May 2002, the Company instituted a new action against PFT and certain of its employees, in the United States District for the Northern District of New York seeking injunctive relief and monetary damages based upon copyright violations. A motion by PFT to dismiss this action which had been pending since June 2002, was denied in March 2007. On May 25, 2007 PFT's motion for reconsideration was likewise denied. On June 11, 2007, PFT filed its answer in which no counterclaims have been asserted against the Company.

On September 18, 2007 a settlement was reached between the Company and PFT of the pending litigation. Under the terms of the settlement, all claims and counterclaims asserted by the parties in previously filed lawsuits were discontinued in consideration of which the Company will receive payments totaling \$541,600.

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

None

Item 5. Other Information.

None.

Item 6. Exhibits

(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

SIGNATURES

In accordance with the requirements of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CVD EQUIPMENT CORPORATION

November 14, 2007

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

November 14, 2007

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 |

**Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Leonard A. Rosenbaum, the principal executive officer of CVD Equipment Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CVD Equipment Corporation;
2. Based upon 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 upon 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. Intentionally omitted.
 - c. 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
 - d. 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 registrant's 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, 2007

/s/ Leonard A. Rosenbaum

President and Chief Executive Officer

**Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Glen R. Charles, the principal financial officer of CVD Equipment Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CVD Equipment Corporation;
2. Based upon 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 upon 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. Intentionally omitted.
 - c. 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
 - d. 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 registrant's 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, 2007

/s/ Glen R. Charles

Chief Financial Officer

Certification of Principal Executive Officer
Pursuant to 18 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, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the quarterly report on Form 10-QSB for the period ending September 30, 2007 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, 2007

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

Certification of Principal Financial Officer
Pursuant to 18 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, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge, the quarterly report on Form 10-QSB for the period ending September 30, 2007 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, 2007 /s/ Glen R. Charles
Glen R. Charles
Chief Financial Officer
(Principal Financial Officer)