



**(Registrant's Telephone Number, Including Area Code)**

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 6,169,477 shares of Common Stock, \$0.01 par value at May 2, 2015.

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**

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## PART 1 – FINANCIAL INFORMATION

## Item 1 – Financial Statements

## CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheets

(Unaudited)

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 7,500,440	\$ 11,966,863
Accounts receivable, net	8,126,558	6,463,050
Costs and estimated earnings in excess of billings on contracts in progress	3,451,142	2,498,662
Inventories, net	4,702,469	4,842,059
Deferred income taxes-current	2,012,199	2,887,960
Other current assets	71,732	194,756
<b>Total Current Assets</b>	<b>25,864,540</b>	<b>28,853,350</b>
Property, plant and equipment, net	15,295,179	15,025,283
Construction in progress	16,431	389,276
Deferred income taxes – non-current	910,077	750,133
Restricted cash	400,000	400,000
Other assets	81,921	82,559
Intangible assets, net	59,261	55,871
<b>Total Assets</b>	<b>\$ 42,627,409</b>	<b>\$ 45,556,472</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 1,628,969	\$ 1,682,838
Accrued expenses	3,822,207	3,297,052
Current maturities of long-term debt	720,000	720,000
Billings in excess of costs and estimated earnings on contracts in progress	2,502,956	1,328,508
Deferred revenue	155,452	488,691
Accrued loss on litigation settlement	--	4,925,000
<b>Total Current Liabilities</b>	<b>8,829,584</b>	<b>12,442,089</b>

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Long-term debt, net of current portion	3,665,507	3,845,508
Total Liabilities	12,495,091	16,287,597
Commitments and Contingencies	--	--
Stockholders' Equity:		
Common stock-\$0.01 par value-10,000,000 shares authorized; issued and outstanding 6,169,227 at March 31, 2015 and 6,162,027 at December 31, 2014	61,692	61,620
Additional paid-in-capital	22,339,954	22,144,805
Retained earnings	7,730,672	7,062,450
Total Stockholders' Equity	30,132,318	29,268,875
Total Liabilities and Stockholders' Equity	\$ 42,627,409	\$ 45,556,472

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

## CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Revenue	\$9,692,444	\$4,385,071
Cost of revenue	5,932,616	2,405,669
Gross profit	3,759,828	1,979,402
Operating expenses		
Research and development	211,890	195,930
Selling and shipping	313,817	358,325
General and administrative	2,027,110	1,475,062
Total operating expenses	2,552,817	2,029,317
Operating income/( loss)	1,207,011	(49,915 )
Other income (expense)		
Interest income	6,082	6,334
Interest expense	(24,725 )	(29,015 )
Other income	781	23,829
Total other (expense)/ income	(17,862 )	1,148
Income/(loss) before income tax (expense)/benefit	1,189,149	(48,767 )
Income tax expense	520,927	219,380
Net income/(loss)	\$668,222	\$(268,147 )
Basic income/(loss) per common share	\$0.11	\$(0.04 )
Diluted income/(loss) per common share	\$0.11	\$(0.04 )
Weighted average common shares outstanding basic	6,168,307	6,104,782
Net effect of potential common share issuance	130,887	--
Weighted average common shares outstanding diluted	6,299,194	6,104,782

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

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## CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended	
	March 31,	
	2015	2014
Cash flows from operating activities:		
Net income/(loss)	\$ 668,222	\$(268,147 )
Adjustments to reconcile net income/(loss) to net cash (used in)/provided by operating activities		
Stock-based compensation	195,221	137,999
Depreciation and amortization	222,562	196,837
Deferred tax expense	715,817	219,380
Provision for doubtful accounts	30,723	(97,496 )
Changes in operating assets and liabilities		
(Increases)/decreases in operating assets:		
Accounts receivable	(1,694,231 )	1,022,478
Cost and estimated earnings in excess of billings on contracts in progress	(952,480 )	(356,416 )
Inventories	139,590	(458,141 )
Other current assets	123,024	97,320
Increases (decreases) in operating liabilities:		
Accounts payable and accrued expenses	471,283	357,635
Billings in excess of costs and estimated earnings on contracts in progress	1,174,448	144,274
Accrued loss on litigation settlement	(4,925,000 )	--
Deferred revenue	(333,239 )	(204,527 )
Net cash (used in)/provided by operating activities:	(4,164,060 )	791,196
Cash flows from investing activities:		
Release of restricted cash	--	200,000
Capital expenditures	(122,363 )	(141,325 )
Net cash (used in)/provided by investing activities:	(122,363 )	58,675
Cash flows from financing activities:		
Proceeds from stock options exercised	--	51,100
Payments of long-term debt	(180,000 )	(180,000 )
Net cash used in financing activities:	(180,000 )	(128,900 )
Net (decrease)/increase in cash and cash equivalents	(4,466,423 )	720,971
Cash and cash equivalents at beginning of period	11,966,863	11,247,560
Cash and cash equivalents at end of period	\$ 7,500,440	\$ 11,968,531



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Supplemental disclosure of cash flow information:

Income taxes paid	\$ 100,000	\$ 1,622
Interest paid	\$ 24,725	\$ 29,015

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

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements for CVD Equipment Corporation and Subsidiaries (collectively “the Company”) 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-Q and Article 8 of Regulation S-X. 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 months ended March 31, 2015 are not necessarily indicative of the results that can be expected for the year ending December 31, 2015.

The consolidated balance sheet as of December 31, 2014 has been derived from the audited consolidated 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. For further information, please refer to the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, including the accounting policies followed by the Company as set forth in Note 2 to the consolidated financial statements contained therein.

All material intercompany transactions have been eliminated in consolidation. In addition, certain reclassifications have been made to prior period consolidated financial statements to conform to the current year presentation, including those research and development expenses incurred independent of customer orders. These expenses which amounted to approximately \$212,000 and \$196,000 respectively for the three months ended March 31, 2015 and the three months ended March 31, 2014, had previously been included in cost of revenue are now shown as an operating expense.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenue and Income Recognition

Product and service sales, including those based on time and materials type contracts, are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. Service sales, principally representing repair, maintenance and engineering activities are recognized over the contractual period or as services are rendered.

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Income Recognition

Revenues from fixed price contracts are recognized on the percentage of completion method, measured on the basis of incurred costs to estimated total costs for each contract. This “cost to cost” method is used because management considers it to be the best available measure of progress on these contracts.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs.

The asset, “Cost and estimated earnings in excess of billings on contracts in progress,” represents revenues recognized in excess of amounts billed.

The liability, “Billings in excess of costs and estimated earnings on contracts in progress,” represents amounts billed in excess of revenues recognized.

Research and Development

Research and development costs are expensed as incurred. Due to the highly technical nature of our projects, we use our technical staff in a dual role, and based on their contribution to the customer or research and development projects, their costs are charged accordingly to either cost of goods sold or research and development.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09: "Revenue from Contracts with Customers", which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU outlines a five-step model to make the revenue recognition determination and requires new financial statement disclosures. Publicly-traded companies are required to adopt the ASU for reporting periods beginning after December 15, 2016; however the FASB recently proposed an optional one-year deferral of the ASU. Currently companies may choose among different transition alternatives. We are currently evaluating the effect that this ASU will have on our consolidated financial statements and related financial statement disclosures and have not yet determined which method of adoption will be selected.

In February 2015, the FASB issued ASU No. 2015-05: "Consolidation (Topic 810): Amendments to the Consolidation Analysis", which makes changes to both the variable interest model and the voting model. These changes will require re-evaluation of certain entities for consolidation and will require us to revise our documentation regarding the consolidation or deconsolidation of such entities. ASU No 2015-02 is effective for reporting periods after December 15, 2015 and interim periods within those five years. We are currently evaluating the effect that this ASU will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, "Interest-imputation of interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, rather than as a deferred charge asset. ASU No. 2015-03 is effective for us January 1, 2016 and is to be applied retroactively. We are currently evaluating the effect that this ASU will have on our consolidated financial statements and related disclosures.

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2015****(Unaudited)****NOTE 3: CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high credit-quality domestic financial institutions and invests its excess cash primarily in savings accounts, treasury bills and money market instruments. The Company performs periodic evaluations of the relative credit standing of all such institutions as it seeks to maintain stability and liquidity. From time to time, these cash investments may exceed the Federal Deposit Insurance Corporation limit, which at March 31, 2015 and December 31, 2014 was approximately \$7,156,000 and \$10,216,000, respectively. The Company sells products and services to various companies across several industries in the ordinary course of business. The Company performs ongoing credit evaluations to assess the probability of accounts receivable collection based on a number of factors, including past transaction experience, evaluation of their credit history and review of the invoicing terms of the contract to determine the financial strength of its customers. The Company also maintains allowances for anticipated losses.

**NOTE 4: UNCOMPLETED CONTRACTS**

Costs and estimated earnings in excess of billings on uncompleted contracts are summarized as follows:

	March 31, 2015	December 31, 2014
Costs incurred on uncompleted contracts	\$5,722,046	\$ 4,250,299
Estimated earnings	5,062,092	4,541,377
	10,784,138	8,791,677
Billings to date	(9,835,952 )	(7,621,523 )

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\$948,186      \$ 1,170,154

Included in accompanying balance sheets under the following captions:

Cost and estimated earnings in excess of billings on contracts in progress      \$3,451,142      \$ 2,498,662

Billings in excess of costs and estimated earnings on contracts in progress      \$(2,502,956 )      \$(1,328,508 )

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**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2015****(Unaudited)****NOTE 5: INVENTORIES, NET**

Inventories consist of:

	March 31, 2015	December 31, 2014
Raw materials	\$4,157,533	\$4,307,913
Work-in-process	453,709	419,731
Finished goods	91,227	114,415
Totals	\$4,702,469	\$4,842,059

**NOTE 6: ACCOUNTS RECEIVABLE, NET**

Accounts receivable are presented net of an allowance for doubtful accounts of \$80,212 and \$49,489 as of March 31, 2015 and December 31, 2014, respectively. The allowance is based on prior experience and management's evaluation of the collectability of accounts receivable. Management believes the allowance is adequate. However, future estimates may change based on changes in future economic conditions.

**NOTE 7: LONG-TERM DEBT**

On August 5, 2014, the Company extended its \$7 million revolving credit facility with HSBC Bank, USA N.A. ("HSBC"), with a new maturity date of August 5, 2015, under the same terms. The credit facility consists of a \$7 million revolving credit facility and a five (5) year term loan in the initial amount of \$2.1 million. The Company makes monthly principal payments of \$35,000 plus interest on the term loan which matures on August 5, 2016. The balances as of March 31, 2015 and December 31, 2014 were \$595,000 and \$700,000, respectively. Interest on the unpaid



\$595,000 principal balance for the term loan, which was used to pay off the previous mortgages, accrues at a fixed rate of 3.045%. Borrowings under this term loan are collateralized by \$400,000 of restricted cash deposits, provided that, so long as no event of default has occurred and is then continuing, HSBC would release \$200,000 of the collateral on each anniversary of the closing date. The restricted balance at March 31, 2015 and December 31, 2014 was \$400,000. This restricted cash is a separate line item on the consolidated balance sheet. The \$7 million revolving credit facility remained unused as of both March 31, 2015 and December 31, 2014. The revolving credit facility permits the Company to borrow on a revolving basis until August 5, 2015. Interest on the unpaid principal balance on this facility accrues at either (i) the London Interbank Offered Rate (“LIBOR”) plus 1.75% or (ii) the bank’s prime rate minus 0.50%. The credit agreement also contains certain financial covenants, all of which the Company was in compliance with as of March 31, 2015.

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**NOTE 7: LONG-TERM DEBT (continued)**

In March 2012, the Company entered into a mortgage loan agreement with HSBC for the initial principal amount of \$6,000,000 (the "Loan"), through the Town of Islip Industrial Development Agency. The Loan is secured by a mortgage against the property and building located at 355 South Technology Drive, Central Islip, New York. Interest presently accrues on the Loan, at our option, at the variable rate of LIBOR plus 1.75% which was 1.9245% and 1.9108% at March 31, 2015 and December 31, 2014, respectively. The balances on the mortgage on March 31, 2015 and December 31, 2014 were approximately \$3,791,000 and \$3,866,000 respectively. The loan matures on March 15, 2022.

**NOTE 8: STOCK-BASED COMPENSATION EXPENSE**

During the three months ended March 31, 2015 and March 31, 2014, the Company recorded as part of selling and general administrative expense, approximately \$195,000 and \$138,000 respectively, for the cost of employee and director services received in exchange for equity instruments based on the grant-date fair value of those instruments. This expense was recorded based upon the guidance of ASC 718, "*Compensation-Stock Compensation.*"

**NOTE 9: INCOME TAXES**

The provision for income taxes includes the following:

	Three Months Ended March 31,	
	2015	2014
Current:		
Federal	\$309,122	\$-----

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State	7,146	-----
Total Current Provision	316,268	-----
Deferred:		
Federal	\$204,659	\$(161,965)
State	----	381,345
Total deferred	204,659	219,380
Income tax expense	\$520,927	\$219,380

In March 2014, New York State eliminated the state income tax for qualified manufacturing companies such as CVD. Due to this change in tax law, the Company was required to write off state-level deferred tax assets which would have been used to offset future taxes payable to New York State.

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2015****(Unaudited)**

NOTE 9: INCOME TAXES (Needs to be updated)

## Tax Rate Reconciliation

The reconciliation between the Company's effective tax rate on income from continuing operations and the statutory rate is as follows:

	Three Months Ended	
	March 31,	
	2015	2014
Income tax benefit at federal statutory rate [34%]	\$404,311	\$(16,581 )
Change in capitalized inventory (Section 263A)	--	(11,080 )
Change in vacation accrual	--	(21,608 )
Change in other accruals	12,654	(4,674 )
Difference between tax and book depreciation	(16,298 )	7,532
Stock-based compensation	(9,689 )	(61,394 )
Domestic production activities deduction	(37,145 )	--
Research and development credits	(276,329)	(54,160 )
Net operating loss	443,423	--
Impact of New York State taxation change	--	381,345
Income tax expense	\$520,927	\$219,380

NOTE 10: EARNINGS PER SHARE

As per ASC 260, basic earnings per share are computed by dividing net earnings available to common shareholders (the numerator) by the weighted average number of common shares (the denominator) for the period presented. The computation of diluted earnings per share is similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Stock options to purchase 259,730 shares of common stock were outstanding and 147,230 were exercisable during the three months ended March 31, 2015. Stock options to purchase 173,730 shares were outstanding and 148,730 were exercisable during the three months ended March 31, 2014. At March 31, 2015 all outstanding options were included in the diluted earnings per share calculation because the average market price was higher than the exercise price. At March 31, 2014, none of the outstanding options were included in the earnings per share calculation as their effect would have been anti-dilutive.

The dilutive potential common shares on warrants and options is calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all warrants and options are used to repurchase common stock at market value. The amount of shares remaining after the proceeds are exhausted represents the potential dilutive effect of the securities.

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**(Unaudited)**

**NOTE 11: LEGAL PROCEEDINGS**

On January 19, 2015, CVD Equipment Corporation (the “Company”) received an Arbitration Demand and Complaint which was filed with the American Arbitration Association by Development Specialists, Inc., an Illinois corporation (“DSI”), solely in its capacity as an assignee for the benefit of creditors of CM Manufacturing, Inc. f/k/a Stion Corporation (“Stion”), a Delaware corporation, (collectively the “Plaintiff”).

In its complaint, the Plaintiff claims, among other things, that the Company breached its agreement with Stion by failing to design, engineer, manufacture and timely deliver a certain custom furnace used in the manufacture of solar panels. The Plaintiff also asserts claims relating to breach of warranty, conversion, misappropriation of trade secrets and a declaration that DSI is not liable under the Company’s Proof of Claim which was previously filed in connection with Stion’s October 2013 Assignment for the Benefit of Creditors. Plaintiff seeks monetary damages of approximately \$6.9 million plus interest and attorney’s fees, certain injunctive relief and other unspecified money damages.

The Company believes that these claims have no merit and intends to vigorously defend its interests in this matter.

On February 5, 2015, the Company interposed an Answer denying Plaintiff’s claims and raising (15) Affirmative Defenses. Additionally, on March 24, 2015, the Company served and filed a Motion to Dismiss. A decision on this motion is expected shortly. If the Company’s Motion is granted, then the case will be dismissed, otherwise a brief period for discovery will follow and the Arbitration hearing is scheduled to take place the week of August 31, 2015.

**CVD EQUIPMENT CORPORATION AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2015****(Unaudited)****NOTE 12: SEGMENT REPORTING**

The Company operates through two (2) segments, CVD and SDC. The CVD division is utilized for silicon, silicon germanium, silicon carbide and gallium arsenide processes. SDC is the Company's ultra-high purity manufacturing division in Saugerties, New York. The Company evaluates performance based on several factors, of which the primary financial measure is income or (loss) before taxes.

Three Months Ended March 31,

<u>2015</u>	CVD	SDC	Eliminations *	Consolidated
Revenue	\$8,578,372	\$1,404,057	\$ (289,985 )	\$ 9,692,444
Pretax income	789,087	400,062		1,189,149
<u>2014</u>				
Revenue	\$3,650,163	\$1,011,432	\$ (276,524 )	\$ 4,385,071
Pretax (loss)/income	(166,888 )	118,121		(48,767 )

\*All elimination entries represent intersegment revenues eliminated in consolidation for external financial reporting.

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

*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. Past results are no guaranty of future performance. You should not place undue reliance on any forward-looking statements, which speak only as of the dates they are made. When used in this Report, the words “believes,” “anticipates,” “expects,” “estimates,” “plans,” “intends,” “will” and similar expressions are intended to identify forward-looking statements.*



**Results of Operations*****Three Months Ended March 31, 2015 vs. Three Months Ended March 31, 2014***

	Three Months Ended		Change	% Change
	March 31, 2015	March 31 2014		
(In thousands)				
Bookings	\$5,181	\$15,725	\$(10,543)	(67.0 )
Ending Backlog	16,562	15,257	1,305	8.6
Revenue				
CVD (net of eliminations)	\$8,571	\$3,649	\$4,922	134.9
SDC (net of eliminations)	1,122	736	386	52.4
Total Revenue	9,693	4,385	5,308	121.5
Cost of Goods Sold	5,933	2,406	3,527	146.6
Gross Profit	3,760	1,979	1,781	90.0
Gross Margin	38.8 %	45.1 %	(6.3 %)	
Research and development	212	196	16	8.2
Selling and Shipments	314	358	(44 )	(12.3 )
General and administrative	2,027	1,475	552	37.4
Total Operating Expenses	2,553	2,029	524	25.8
Operating income/(loss)	1,207	(50 )	1,257	
Other Income (expense)	(18 )	1	(19 )	
Income/(loss) before taxes	1,189	(49 )	1,238	
Income tax expense	521	219	302	137.9
Net Income/(loss)	668	(268 )	936	

**Orders/Order Backlog**

Orders received for the three months ended March 31, 2015 were approximately \$5.2 million compared to approximately \$15.7 million in orders received for the three months ended March 31, 2014, a decrease of 67.0%. This resulted in a backlog of \$16.6 million as of March 31, 2015 compared to \$15.3 million as of March 31, 2014. \$9.7 million of the March 31, 2015 backlog or 58.4% is a result of multiple orders from one customer as compared to \$12.9 million or 84.3% of the March 31, 2014 backlog. Although timing for completion of the backlog varies depending on the product mix and can be as long as two years, we believe a significant portion of our current backlog will be completed within the next twelve months.

Included in the backlog are all accepted purchase orders, less any amounts which have been previously billed or recognized as a component of our percentage-of-completion calculations. Management utilizes the order backlog to assist it in gauging projected revenues and profits; however, it does not provide an assurance of future achievement of revenues or profits as, for example, order cancellations or delays are possible.

**Revenue**

We achieved record revenue for the three month period ended March 31, 2015 of \$9.7 million as compared to \$4.4 million for the three month period ended March 31, 2014, an increase of \$5.3 million or 121.5%. The increase is directly attributable to the work performed on the increased orders that we have secured from both the aerospace and the medical industries. One customer represented 54.6% or \$5.3 million of our revenue for the three months ended March 31, 2015.

Revenue from the SDC division for the three months ended March 31, 2015 increased by 52.4% to \$1.1 million compared to \$0.7 million for the three months ended March 31, 2014 as a result of the work performed on the increased level of order activity.

**Gross Profit**

We generated a gross profit of \$3.8 million, resulting in a gross profit margin of 38.8%, for the three months ended March 31, 2015 as compared to gross profits of \$2.0 million and a gross profit margin of 45.1%, for the three months ended March 31, 2014. The decreased gross margin we are now experiencing is primarily attributable to a large order we are currently undertaking that is running at a lower gross profit margin.

**Research and development, Selling and General and Administrative Expenses**

Research and development expenses for the three months ended March 31, 2015 and March 31, 2014 were \$0.2 million. We continue to independently conduct research and product development for CVD products.

Selling and shipping expenses for the three months ended March 31, 2015 and 2014 were \$0.3 million and \$0.4 million, respectively. This decrease is primarily attributable to reduced commissions earned during the current period. Although our revenues are significantly greater during the current three months as compared to the same period a year ago, a vast majority of our revenue is generated by our internal sales personnel who do not receive sales commissions.

We incurred \$2.0 million of general and administrative expenses during the three months ended March 31, 2015, compared to \$1.5 million incurred during the three months ended March 31, 2014, representing an increase of 37.4%. This increase is primarily attributable to an increase in personnel, occupancy and legal costs during the current period.



**Operating income/(loss)**

The increased revenue and higher gross profit delivered income from operations of \$1.2 million for the three months ended March 31, 2015 compared to a loss from operations loss of \$(0.1) million for the three months ended March 31, 2014.

**Income Taxes**

Current income tax expense for the three months ended March 31, 2015 amounted to \$0.3 million. We utilized an additional \$0.2 million in deferred tax benefits during that period as well.

**Net Income/(Loss)**

We reported net income of \$0.7 million for the three months ended March 31, 2015 compared to a net loss of \$(0.3) million for the three months ended March 31, 2014.

**Liquidity and Capital Resources**

As of March 31, 2015, we had working capital of approximately \$17.0 million compared to \$16.4 million at December 31, 2014, an increase of \$0.6 million, and cash and cash equivalents of \$7.5 million, compared to \$12.0 million at December 31, 2014, a decrease of \$4.5 million. The decrease in cash and cash equivalents was primarily a result of the \$4.9 million payment made to resolve the Taiwan Glass litigation settlement and the timing of both shipments and customer payments on outstanding balances.

Accounts receivable, net, as of March 31, 2015 was approximately \$8.1 million compared to \$6.5 million as of December 31, 2014. This increase is primarily attributable to the increased revenue, the timing of customer shipments and customer payments on outstanding balances.

We believe that our cash and cash equivalents position and cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for the next twelve months. We expect to renew our \$7 million

revolving line of credit on similar terms to that which we currently have.

We may also raise additional capital in the event we determine in the future to effect one or more acquisitions of businesses, technologies or products. In addition, we may elect to raise additional capital even before we need them if the conditions for raising capital are favorable. Any equity or equity-linked financing could be dilutive to existing shareholders.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements at this time.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

**Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures*

We maintain a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). As required by Rule 13a-15(b) under the Exchange Act, management of the Company, under the direction of our Chief Executive Officer and Chief Financial Officer, reviewed and performed an evaluation of the effectiveness of design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q (the "Report").

Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer, along with our management, have determined that as of the end of the period covered by this Report on Form 10-Q, the disclosure controls and procedures were and are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and were effective to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosures.

*Changes in Internal Controls*

There were no changes in our internal controls over financial reporting as defined in Rule 13a-15(f) or Rule 15d-15(f) under the Exchange Act that occurred during the most recent fiscal quarter 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.**

On January 19, 2015, CVD Equipment Corporation (the “Company”) received an Arbitration Demand and Complaint which was filed with the American Arbitration Association by Development Specialists, Inc., an Illinois corporation (“DSI”), solely in its capacity as an assignee for the benefit of creditors of CM Manufacturing, Inc. f/k/a Stion Corporation (“Stion”), a Delaware corporation, (collectively the “Plaintiff”).

In its complaint, the Plaintiff claims, among other things, that the Company breached its agreement with Stion by failing to design, engineer, manufacture and timely deliver a certain custom furnace used in the manufacture of solar panels. The Plaintiff also asserts claims relating to breach of warranty, conversion, misappropriation of trade secrets and a declaration that DSI is not liable under the Company’s Proof of Claim which was previously filed in connection with Stion’s October 2013 Assignment for the Benefit of Creditors. Plaintiff seeks monetary damages of approximately \$6.9 million plus interest and attorney’s fees, certain injunctive relief and other unspecified money damages.

The Company believes that these claims have no merit and intends to vigorously defend its interests in this matter.

On February 5, 2015, the Company interposed an Answer denying Plaintiff’s claims and raising (15) Affirmative Defenses. Additionally, on March 24, 2015, the Company served and filed a Motion to Dismiss. A decision on this motion is expected shortly. If the Company’s Motion is granted, then the case will be dismissed, otherwise a brief period for discovery will follow and the Arbitration hearing is scheduled to take place the week of August 31, 2015.

##### **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.

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**Item 5. Other Information.**

None.

**Item 6. Exhibits**

The exhibits listed below are hereby furnished to the SEC as part of this report:

- 10.1 Settlement Agreement effective as of January 29, 2015, among the Company, Taiwan Glass International Corporation and Capital One, National Association.
  - 31.1\* Certification of Leonard A. Rosenbaum, Chief Executive Officer, dated May 15, 2015
  - 31.2\* Certification of Glen R. Charles, Chief Financial Officer, dated May 15, 2015
  - 32.1\* Certification of Leonard A. Rosenbaum, Chief Executive Officer, dated May 15, 2015, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  - 32.2\* Certification of Glen R. Charles, Chief Financial Officer, dated May 15, 2015, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  - 101.1\*\* XBRL Instance.
  - 101.SCH\*\* XBRL Taxonomy Extension Schema.
  - 101.CAL\*\* XBRL Taxonomy Extension Calculation.
  - 101.DEF\*\* XBRL Taxonomy Extension Definition.
  - 101.LAB\*\* XBRL Taxonomy Extension Labels.
  - 101.PRE\*\* XBRL Taxonomy Extension Presentation.
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\* Filed herewith.

\*\* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not to be filed or part of a registration statement of prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

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 15<sup>th</sup> day of May 2015.

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)

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