

CVD EQUIPMENT CORP
Form 10-K
April 01, 2013

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

Form 10-K

(Mark One)

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.
For the fiscal year ended December 31, 2012
- ☐ 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
(Exact name of registrant as specified in its charter)

New York
(State or Other Jurisdiction of
Incorporation or Organization)

11-2621692
(I.R.S. Employer Identification No.)

355 South Technology Drive
Central Islip, New York 11722
(Address including zip code of registrant's Principal Executive Offices)

(631) 981-7081
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, Par value \$0.01	NASDAQ Capital Market

Securities registered under Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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Indicate by check mark 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 Website, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☒

Indicate by check mark whether the 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 ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$62,306,355 at June 30, 2012

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 6,054,770 shares of Common Stock, \$0.01 par value at March 15, 2013.

DOCUMENTS INCORPORATED BY REFERENCE: None.

PART I

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, this Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve known and unknown risks and uncertainties that may cause our actual results or outcomes to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on various factors and are 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 our existing and potential future product lines of business; our ability to obtain financing on acceptable terms if and when needed; uncertainty as to our 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. We assume 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 performance is no guaranty of future results.

Item 1. Description of Business.

The use of the words “CVD,” “we,” “us” or “our” refers to CVD Equipment Corporation, a New York corporation incorporated on October 13, 1982, and its subsidiary, except where the context otherwise requires.

We design, develop and manufacture customized state-of-the-art equipment and process solutions used to develop and manufacture solar, nano and advanced electronic components, materials and coatings for research and industrial applications, with the focus on enabling tomorrow’s technologiesTM. We offer a broad range of chemical vapor deposition, gas control and other equipment that is used by our customers to research, design and manufacture semiconductors, solar cells, smart glass, carbon nanotubes, nanowires, LEDs, MEMS and industrial coatings, as well as equipment for surface mounting of components onto printed circuit boards. Through our Application Laboratory, we provide process development support and process startup assistance. Our proprietary products are generally customized to meet the particular specifications of individual customers and to accelerate the commercialization of their proprietary intellectual property. We also offer standard products that are based on the expertise and know-how we have developed in designing and manufacturing our customized products.

Based on more than 30 years of experience, we use our engineering, manufacturing and process development to transform new applications into leading-edge manufacturing solutions. This enables university, research and industrial scientists at the cutting edge of technology to develop next generation solar, nano, LEDs, semiconductors and other electronic components. We also develop and manufacture research and production equipment based on our proprietary designs. We have built a significant library of design expertise, know-how and innovative solutions to assist our customers in developing these intricate processes and to accelerate their commercialization. This library of solutions, along with our vertically integrated manufacturing facilities, allows us to provide superior design, process and manufacturing solutions to our customers on a cost effective basis.

Part of our strategy is to target opportunities in the research and development and production equipment market, with a focus on higher-growth applications such as solar smart glass coatings, carbon nanotubes, nanowires, graphene, MEMS and LEDs. To expand our penetration into these growth markets, we have a line of proprietary standard products and custom systems. Historically, we manufactured products on a custom one-at-a-time basis to meet an individual customer's specific research requirements. Our new proprietary systems leverage the technological expertise that we have developed through designing these custom systems onto a standardized basic core. This core is easily adapted through a broad array of available add-on options to meet the diverse product and budgetary requirements of the research community. By manufacturing the basic core of these systems in higher volumes, we are able to reduce both the cost and delivery time for our systems. These systems, which we market and sell under the EasyTube® product line, are sold to researchers at universities, research laboratories, and startup companies in the United States and throughout the world.

Sales of our proprietary standard, custom systems and process solutions have been driven by building on the success of our installed customer base, which includes several Fortune 500 companies. Historically, revenues have grown primarily through sales to existing customers with additional capacity needs or new requirements, as well as to new customers. However, with the proprietary solutions and our expanded focus on "accelerating the commercialization of tomorrow's technologies" we are developing an additional new customer base. We have generally gained new customers through word of mouth, the movement of personnel from one company to another; limited print advertising and trade show attendance. We are now also gaining new customers by awareness of our company in the marketplace with results from our Application Laboratory, partnerships with startup companies, increased participation in trade shows and expanded internet advertising.

The core competencies we have developed in equipment and software design, as well as in systems manufacturing and process solutions, are used to engineer our finished products and to accelerate the commercialization path of our customer base. Our proprietary Windows®-based*, real-time, software application allows for rapid configuration, and provides our customers with powerful tools to understand, optimize and repeatedly control their processes. Our vertically integrated structure allows us to control the manufacturing process, from bringing raw metal and components into our manufacturing facilities to shipping out finished products. These factors significantly reduce cost, improve quality and reduce the time it takes from customer order to shipment of our products. Our Application Laboratory allows selected customers to bring up their process tools in our Application Laboratory and to work together with our scientists and engineers to optimize process performance.

*Windows is a registered trademark of Microsoft Corporation

We conduct our operations through two divisions: (1) CVD/FirstNano, which includes our First Nano (“CVD/FirstNano”) and Conceptronic product lines (“CVD/Conceptronic”); and (2) Stainless Design Concepts (“SDC”). Each division operates on a day-to-day basis with its own operating manager while product development, sales and administration are managed at the corporate level.

Operating Divisions

CVD/First Nano and Conceptronic supplies state-of-the-art chemical vapor deposition systems for use in the research, development and manufacturing of semiconductors, LEDs, carbon nanotubes, nanowires, solar cells and a number of industrial applications. We utilize our expertise in the design and manufacture of chemical vapor deposition systems to work with laboratory scientists to bring state-of-the-art processes from the research laboratory into production, as well as to provide production equipment and process solutions based on our designs. CVD/First Nano also operates our Application Laboratory in a separate building where our personnel interact effectively with the scientists and engineers of our customer base. CVD/Conceptronic designs and manufactures reflow ovens and rework stations for the printed circuit board assembly and semi-conductor packaging industries.

Stainless Design Concepts (SDC) designs and manufactures ultra-high purity gas and chemical delivery control systems for state-of-the-art semiconductor fabrication processes, solar cells, LEDs, carbon nanotubes, nanowires, and a number of industrial applications. Our SDC products are sold on a stand-alone basis, as well as together with our CVD/First Nano systems. SDC operates out of a 22,000 square foot facility fitted with Class 10 and Class 100 clean room manufacturing space located in Saugerties, New York.

Principal Products

Chemical Vapor Deposition - A process which passes a gaseous compound over a target material surface that is heated to such a degree that the compound decomposes and deposits a desired layer onto substrate material. The process is accomplished by combining appropriate gases in a reaction chamber, of the kind produced by the Company, at elevated temperatures (typically 150-1,800 degrees Celsius). Our Chemical Vapor Deposition systems are complete and include all necessary instrumentation, subsystems and components and include state-of-the-art process control software. We provide both standard and specifically engineered products for particular customer applications. Some of the standard systems we offer are for Silicon, Silicon-Germanium, Silicon Dioxide, Silicon Nitride, Polysilicon, Liquid Phase Epitaxial, Metalorganic Chemical Vapor Deposition, Carbon Nanotubes, Graphene Nanowires, Solar Cell research and Solar material quality control.

Our Chemical Vapor Deposition systems are available in a variety of models that can be used in laboratory research and production. All models are offered with total system automation, a microprocessor control system by which the user can measure, predict and regulate gas flow, temperature, pressure and chemical reaction rates, thus controlling the process in order to enhance the quality of the materials produced. Our standard microprocessor control system is extremely versatile and capable of supporting the complete product line and most custom system requirements. These Chemical Vapor Deposition systems are typically priced between \$80,000 and \$1,500,000.

Rapid Thermal Processing (“RTP”) - Used to heat semiconductor materials to elevated temperatures of 1,000 degrees Celsius at rapid rates of up to 200 degrees Celsius per second. Our RTP systems are offered for implant activation, oxidation, silicide formation and many other processes. We offer systems that can operate both at atmospheric or reduced pressures. Our RTP systems are priced up to \$600,000.

Annealing and Diffusion Furnaces - Used for diffusion, oxidation, implant anneal, solder reflow, solar cell manufacturing and other processes. The systems are normally operated at atmospheric and/or reduced pressure with gaseous atmospheres related to the process. An optional feature of the system allows for the heating element to be moved away from the process chamber allowing the wafers to rapidly cool or be heated in a controlled environment. Our cascade temperature control system enables more precise control of the wafers. The systems are equipped with an automatic process controller, permitting automatic process sequencing and monitoring with safety alarm provisions. Our annealing and diffusion furnace systems are priced up to \$900,000.

Ultra-high Purity Gas and Liquid Control Systems - Our standard and custom designed gas and liquid control systems, which encompass, gas cylinder storage cabinets, custom gas and chemical delivery systems, gas and liquid valve manifold boxes and gas isolation boxes, provide safe storage and handling of pressurized gases and chemicals. Our system design allows for automatic or manual control from both a local and remote location. A customer order often includes multiple systems and can total up to \$1,000,000.

Quartz ware - We provide standard and custom fabricated quartz ware used in our equipment and other customer tools. We also provide repair and replacement of existing quartz ware.

Convection Furnaces – We provide proprietary reflow ovens used by the printed circuit board assembly and semiconductor packaging industries.

Reflow Furnaces and Rework Stations – We provide standard and custom systems for the printed circuit board and surface mount technology industries. Our equipment is designed to melt solder in a controlled process to form superior connections between components, creating complete electronic circuits for computers and telecommunication systems, as well as for the automotive and defense industries.

Markets and Marketing

Due to the highly technical nature of our products, we believe it is essential to contact customers directly through our sales personnel and through a network of domestic and international independent sale representatives and distributors specializing in the type of equipment we sell. Our primary marketing activities include direct sales contacts, participation in trade shows and our internet websites. We are focusing our efforts on being in the top listings on many search engines in order to increase the number of “hits” to our websites.

Customers

We are continuing to work on expanding our product offerings. Many of these products are used in research and in production applications. We sell our products primarily to electronic component manufacturers, institutions involved in electronic component research (such as universities, government and industrial laboratories) and to industries such as aerospace that require specialized coatings. We have both an international and domestic installed customer base of approximately 200 customers to whom we have sold systems within the last three years.

For the twelve months ended December 31, 2012, approximately 24.4% of our revenues were generated from foreign sales compared to 12% for the twelve months ended December 31, 2011. Revenue to a single customer in any one year can exceed 10.0% of our total sales. In fiscal years 2012 and 2011 one customer represented 16.6% and 43.2% of our annual revenues, respectively. We are not dependent on any single customer, and the loss of any key customer would have to be replaced by others, as we have previously, and our inability to do so may have a material adverse effect on our business and financial condition.

Warranties

We normally warrant our equipment for a period of twelve to eighteen months after shipment, depending on the product, and pass along any warranties from original manufacturers of components used in our products. We provide for our own equipment servicing with in-house field service personnel. Warranty costs, including those incurred in fiscal years 2012 and 2011, have been historically insignificant and expensed as incurred.

Competition

We are subject to intense competition. We are aware of other competitors that offer a substantial number of products and services comparable to ours. Many of our competitors (including customers who may elect to manufacture systems for internal use) have financial, marketing and other resources greater than ours. To date, we believe that each of our two operating divisions has been able to compete in markets that include these competitors, primarily on the basis of technical performance, quality, delivery and price.

CVD/First Nano competes primarily with in-house design and engineering personnel at research and university laboratories with the capacity to design and build their own equipment internally. Due to budgetary and funding constraints, many of these customers are extremely price sensitive. CVD/First Nano also competes with companies that have substantially greater financial, marketing and other resources to develop new products and support customers worldwide, as well as smaller competitors. We believe that our systems are among the most advanced available for the targeted market space. CVD/Conceptronic's proprietary reflow ovens and rework stations are used by the printed circuit board assembly and semiconductor packaging industries. Conceptronic also offers customized products for complex applications within the printed circuit board and other industries that use conveyor-type ovens in heating and drying applications. Our in-house design and engineering personnel develop leading edge technology for sale at competitive prices. Conceptronic competes with companies that are larger than our company and have substantially greater financial, marketing and other resources than we do. We believe that our reflow ovens and rework stations are among the most advanced available having leveraged our experience in designing and building customized products for our customers.

SDC competes with companies that are larger than our company and have substantially greater financial, marketing and other resources than we do. We believe that SDC's gas management and chemical delivery control systems are among the most advanced available. We further believe that SDC is differentiated from our competitors through our intimate understanding of how the systems in which our products are incorporated are actually used in field applications. We have gained this understanding as a result of having designed and built complex process gas systems for CVD/First Nano as well as for a number of the world's leading semiconductor, solar manufacturers, research laboratories and universities.

Sources of Supply

We do not manufacture many components used in producing our products. Most of these components are purchased from unrelated suppliers. We have some OEM supply contracts covering a selection of these components, although we are not dependent on a principal or major supplier and alternate suppliers are available. Subject to lead times, the components and raw materials we use in manufacturing our products are readily obtainable.

We have a fully-equipped machine shop that we use to fabricate in-house most of the metal components, including the most complex designed parts of our equipment. Our investment in CNC machines for our machine shop has increased our efficiencies while significantly reducing costs in production. Similarly, our quartz fabrication capability is sufficient to meet our quartz ware needs.

Materials procured from the outside and/or manufactured internally undergo a rigorous quality control process to ensure that the parts meet or exceed our requirements and those of our customers. Upon final assembly, all equipment undergoes a final series of complete testing to ensure maximum product performance.

Backlog

As of December 31, 2012, our order backlog was approximately \$8,342,000 compared to approximately \$16,198,000 at December 31, 2011, a decrease of \$7,856,000 or 48.5% compared to \$16,198,000 at December 31, 2011. The decrease is directly attributable to the purposeful reduction in the amount of new orders accepted during this transition phase of moving to our new facility. The timing for completion of the backlog varies depending on the product mix and can be as long as two years. Included in the backlog are all accepted purchase orders with the exception of those that are included in our percentage-of-completion. Order backlog is usually a reasonable management tool to indicate expected revenues and projected profits, however, it does not provide an assurance of future achievement or profits as order cancellations or delays are possible.

Intellectual Property

Our success is dependent in part on our proprietary technology and other proprietary rights. We have historically protected our proprietary information and intellectual property such as design specifications, blueprints, technical processes and employee know-how through the use of non-disclosure agreements. In addition, where we deem appropriate, we file for patent and trademark protection of our proprietary technology and intellectual property that has the potential to be incorporated into our standard products and can be sold to multiple customers. We also maintain and/or assert rights in certain trademarks relating to certain of our products and product lines, and claim copyright protection for certain proprietary software and documentation.

While patent, copyright and trademark protections for our intellectual property are important to different degrees for our various products and solutions, we believe our future success in highly dynamic markets is most dependent upon the technical competence and creative skills of our personnel and our ability to accelerate the commercialization of next generation intellectual properties. We attempt to protect our trade secrets and other proprietary information through non-disclosure agreements and with our customers, suppliers, employees and consultants other security measures.

Research and Development

The university research community is at the forefront of nanotechnology research, and we are focused on providing state-of-the-art systems to this market that will help bridge the gap between pioneering research and marketable products. Our Application Laboratory, together with a number of leading universities and startup companies, with whom we partner from time to time, conducts cutting-edge research on the growth of carbon nanotubes, graphene and nanowires as well as on selected solar cell manufacturing processes and smart glass coating processes. The results of this research could have far reaching implications concerning the use and manufacture of carbon nanotubes, graphene and nanowires, solar cell and glass coatings for many markets. Our intention is that together, with these leading universities and start-up companies, we will leverage our collective expertise in this field, which will allow us to capitalize on commercial opportunities in the future. This relationship has thus far produced leading edge results, including what we believe are the tallest carbon nanotube arrays yet developed.

In 2012 we expanded our laboratory staff and began conducting cutting-edge research and development independently with promising preliminary results. In 2012, we incurred approximately \$1,330,000 of research and development expenses of which \$389,000 were independent of external customer orders compared to 2011, when we incurred \$955,000 of research and development expenses, all of which were incurred on customer orders.

Government Regulation

We are subject to a variety of federal, state and local government regulations, such as environmental, labor and export control. We believe that we have obtained all necessary permits to operate our business and that we are in material compliance with all laws and regulations applicable to us.

We are not aware of any government regulations or requirements necessary for the sale of our products, other than certain approvals or permits which may be required for us to export certain of our products to certain foreign countries.

Insurance

Some of our products are used in connection with explosive, flammable, corrosive and toxic gases. There are potential exposures to personal injury as well as property damage, particularly if operated without regard to the design limits of the systems and components. Management reviews its insurance coverage with our insurance agent on an annual basis. We have the following types of insurance coverage:

- Product liability
- Property and contents
- General liability
- Directors and officers
- Transportation
- Business auto
- General Umbrella
- Workers compensation
- Employee benefits liability

Employees

At December 31, 2012, we had 173 employees, 171 of which were full time personnel and 2 of which were part time. We had 96 people in manufacturing, 36 in engineering (including research and development and efforts related to product improvement) 7 in field service, 10 in sales and marketing and 24 in general management and administration.

Item 1A. Risk Factors

Not applicable.

Item 1B. Unresolved Staff Comments

None.

Item 2. Description of Property.

So that we may expand our engineering, manufacturing, administration and Application Laboratory to further support the increase in our existing product sales and the development and sales of new products, on March 16, 2012, effective as of March 15, 2012, we closed on the purchase of a facility located at 355 South Technology Drive, Central Islip, New York 11722 (the "Property") through the Town of Islip Industrial Development Agency (the "Islip IDA"). This 130,000 square foot building replaced our two Ronkonkoma facilities which totaled 63,275 square feet. The transaction was structured pursuant to Section 1031 of the Internal Revenue Code, as amended, to be treated as a reverse tax deferred exchange. In order to avail ourselves of certain real estate and sales tax abatements, the purchase took the form of an assignment and lease purchase agreement with fee title continuing to be vested in the Islip IDA. The property was purchased from SJA Industries, LLC for \$7,200,000 exclusive of closing costs. We have also incurred additional renovation costs in 2012 of approximately \$4,052,000. We recently completed the move into this facility in March 2013.

We previously maintained our headquarters at 1860 Smithtown Avenue, Ronkonkoma, New York, where we owned a 50,000 square foot manufacturing facility which we purchased in March, 2002 for \$2,161,875. In addition we incurred \$1,283,077 for renovations. We financed \$2,700,000 of the total purchase price and the costs associated with the renovation. The financing consisted of a loan secured by a mortgage held by GE Capital Public Finance Inc. subject to an installment sale agreement with the Town of Islip Industrial Development Agency. Payments were based upon a 15 year amortization schedule. Interest was fixed at a rate of 5.67%. Our CVD/First Nano and Conceptronic division operated out of this facility. On May 31, 2012, we entered into a contract of Sale to sell this facility for the price of \$3,875,000 (exclusive of closing costs). It is expected that this sale will close in April 2013.

Our SDC division operates out of a 22,000 square foot manufacturing facility situated on five acres of land which we purchased in December 1998 and is located at 1117 Kings Highway, Saugerties, New York. The property was purchased from Kidco Realty Corp. The purchase price for the property was \$1,400,000. We financed \$900,000 of the purchase price. On August 5, 2011, we entered into a \$2.1 million five (5) year term loan with HSBC Bank, USA, N.A., ("HSBC"), to pay off the existing mortgage of approximately \$753,000 held by Capital One, Bank, N.A. on the Saugerties property and the two mortgages totaling approximately \$1,339,000 held by Capital One Bank, N.A. on the property located at 979 Marconi Avenue, Ronkonkoma, NY 11779. Interest on the unpaid principal balance accrues at a fixed rate of 3.045%. Borrowings under this term loan are collateralized by a security agreement on substantially all of the personal property of the Company, in addition to a \$1 million restriction on funds deposited at HSBC, provided that so long as no event of default has occurred and is then continuing, HSBC will release \$200,000 of collateral on each anniversary of the closing date. The restricted balance was reduced to \$800,000 on August 5, 2012.

Until April 26, 2012, the Application Laboratory operated out of a 13,300 square foot facility located at 979 Marconi Avenue, Ronkonkoma, NY 11779, at which time it was sold to K.A.V. Realty Associates, LLC for \$1,659,375 exclusive of closing costs.

Item 3. Legal Proceedings.

On January 26, 2010 the Company commenced an action against Taiwan Glass Industrial Corp. ("Taiwan Glass") in the United States District Court for the Southern District of New York. By that action, the Company seeks monetary damages (\$5,816,000) for breach of contract against Taiwan Glass.

The Company believes that Taiwan Glass has no legal basis for unilaterally refusing to accept and pay for equipment specially manufactured for them and shipped to them by the Company. Taiwan Glass has interposed an answer and counterclaims denying these allegations and is seeking unspecified monetary damages. On April 12, 2012, Taiwan Glass filed a Motion seeking Partial Summary Judgment in the amount of \$3,564,000 (representing the portion of the purchase price that it had previously paid to the Company). By Memorandum and Order dated November 7, 2012, the Court denied the Taiwan Glass Motion in its entirety. The Company is vigorously pursuing its claims against Taiwan Glass.

Item 4. Mine Safety Disclosures.

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the NASDAQ Capital Market under the symbol "CVV." The following table sets forth, for the periods indicated, the high and low closing prices of our common stock on the NASDAQ Capital Market.

	High	Low
Year Ended December 31, 2012:		
1st Quarter	\$ 15.65	\$ 10.43
2nd Quarter	14.51	11.72
3rd Quarter	13.14	9.68
4th Quarter	10.39	7.92
	High	Low
Year Ended December 31, 2011:		
1st Quarter	\$ 12.43	\$ 6.90
2nd Quarter	13.71	9.90
3rd Quarter	19.18	11.82
4th Quarter	17.31	11.51

As of March 15, 2013 there were approximately 78 holders of record and approximately 2,152 beneficial owners of our common stock, and the closing sales price of our common stock as reported on the NASDAQ Capital Market was \$10.98.

Dividend Policy

We have never paid dividends on our common stock and we do not anticipate paying dividends on common stock at the present time. We currently intend to retain earnings, if any, for use in our business. There can be no assurance that we will ever pay dividends on our common stock. Our dividend policy with respect to our common stock is within the discretion of the Board of Directors and its policy with respect to dividends in the future will depend on numerous factors, including earnings, financial requirements and general business conditions.

Under applicable New York law, we would not be permitted to declare and pay dividends if we were insolvent, or would become insolvent by payment of dividends, or if our net assets remaining after payment of dividends would be less than our stated capital.

Equity Compensation Plan Information Table

The following table provides information about shares of our common stock that may be issued upon the exercise of options under all of our existing compensation plans as of December 31, 2012.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights(2)	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders	167,080	\$ 4.46	644,600
Equity compensation plans not approved by security holders	--	N/A	--
Total	167,080	\$ 4.4600	644,600

(1) Reflects aggregate options and restricted stock awards outstanding under our 1989 Key Employee Stock Option Plan, 2001 Stock Option Plan and 2007 Share Incentive Plan.

(2) Calculation is exclusive of the value of any unvested restricted stock awards.

Recent Sales Of Unregistered Securities

None.

Issuer Purchases Of Equity Securities

None.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations .

You should read the following discussion and analysis in conjunction with our financial statements and related notes contained elsewhere in this report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of factors discussed in this report and those discussed in other documents we file with the SEC. In light of these risks, uncertainties and assumptions, readers are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements represent beliefs and assumptions only as of the date of this report. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change. Past performance does not guaranty future results.

We design, develop and manufacture standard and custom state-of-the-art equipment and process solutions used to develop and manufacture solar, nano, advanced electronic components, materials and coatings for research and industrial applications with the focus on enabling tomorrow's technologies™. We offer a broad range of chemical vapor deposition, gas control and other equipment that is used by our customers to research, design and manufacture semi-conductors, solar cells, smart glass, carbon nanotubes, nanowires, LEDs, MEMS, and industrial coatings, as well as equipment for surface mounting of components onto printed circuit boards. Through our Application Laboratory, we can provide process development support and process startup assistance. Our proprietary products are generally customized to meet the particular specifications of individual customers and to accelerate the commercialization of their proprietary intellectual property.

Based on more than 30 years of experience, we use our engineering, manufacturing and process development to transform new applications into leading-edge manufacturing solutions. This enables university, research and industrial scientists at the cutting edge of technology to develop next generation solar, nano materials, LEDs, semiconductors and other chemical vapor deposited products. We also develop and manufacture research and production equipment based on our proprietary designs. We have built a significant library of design expertise, know-how and innovative solutions to assist our customers in developing these intricate processes and to accelerate their commercialization of chemically deposited materials. This library of solutions, along with our vertically integrated manufacturing facilities, allows us to provide superior design, process and manufacturing solutions to our customers on a cost effective basis.

Results of Operations

In 2011, having realized that our current facility was not adequate to meet our anticipated future production requirements, we raised approximately \$9,388,000 from the issuance of shares of common stock. In March 2012, we purchased a 120,000 square foot facility located in Central Islip, New York 11722 (the "Property") through the Town of Islip Industrial Development Agency, (the "Islip IDA") and subsequently added another 10,000 square feet. This building replaced our two Ronkonkoma facilities which totaled 63,275 square feet.

Our 2012 results of operations were significantly impacted by this transaction. A substantial amount of time and effort was dedicated to purchasing, renovating and moving into the new facility that proved to be disruptive to our continuing operations.

Revenue

Revenue for the year ended December 31, 2012 was approximately \$22,158,000 compared to approximately \$30,994,000 for the year ended December 31, 2011, a decrease of \$8,836,000 or 28.5%. Annual revenue from the CVD/First Nano and Conceptronic division decreased by approximately \$7,671,000 or 28.8% to \$18,996,000 which represents 85.7% of our total revenue during the year ended December 31, 2012 compared to \$26,667,000 or 86.0% of our total revenue for the prior fiscal year. This decrease is directly attributable to the reduction in the amount of new orders accepted during this transition phase as well as the disruption and inefficiencies in production from dismantling and reconstructing equipment during the year.

Revenue from outside customers for the SDC division decreased by approximately 26.9% or \$1,165,000 to \$3,162,000 compared to \$4,327,000 in the prior fiscal year. The SDC division represented 14.3% and 14.0% of our total revenue during the years ended December 31, 2012 and December 31, 2011 respectively.

Gross Profit

Overall gross profit in the current year amounted to approximately \$7,989,000 with a gross profit margin of 36.1% compared to the gross profit of \$11,449,000 with a gross profit margin of 36.9% for the year ended December 31, 2011. The CVD/First Nano and Conceptronic division generated a gross profit margin including intercompany transactions of 34.1% for the year ended December 31, 2012, compared to a gross profit margin of 35.4% for the year ended December 31, 2011. Additionally, we have utilized this time to hire additional engineering and production personnel so that they may be fully trained and productive after the move. The SDC division's gross profit margin including intercompany transactions decreased to 33.4% for the year ended December 31, 2012 compared to 35.3% for the year ended December 31, 2011 primarily as a result of the decrease in revenue coupled with a slight increase in material costs.

Selling, General and Administrative Expenses

Selling and shipping expenses were approximately \$1,237,000 for the year ended December 31, 2012 compared to \$1,208,000 for the year ended December 31, 2011, resulting in an increase of 2.4% or \$29,000. Although shipping expenses were lower for the year ended December 31, 2012, this was offset by management's plan to utilize this transition period to hire and train additional sales staff in order to get maximum production efficiencies at the appropriate time following our move into our new facility.

General and administrative expenses for the year ended December 31, 2012 were approximately \$6,207,000 compared to \$5,484,000 during the year ended December 31, 2011, an increase of \$723,000 or 13.2%. This was primarily as a result of the completion of the sale of our facility located at 979 Marconi Avenue, Ronkonkoma, New York, where our Application Laboratory was located. The selling price for the facility was approximately \$1,659,000 and as a result, we incurred a long-term capital loss on the sale of approximately \$694,000, which is included in selling and administrative expenses. On May 31, 2012 we entered into a Contract of Sale to sell our headquarters located at 1860 Smithtown Avenue, Ronkonkoma, New York, and began the final phase in completing the relocation process. The sale price for the Smithtown Avenue facility is \$3,875,000 (exclusive of closing costs) and as of December 31, 2012 the book value (net of depreciation) on this facility is approximately \$2,750,000. The closing on the sale of the Smithtown Avenue facility is expected to occur in April 2013. In 2012, as a result of expanding our laboratory staff in order to conduct our own cutting-edge research and development, we incurred an additional \$389,000 which is classified as general and administrative.

Operating Income

As a result of the foregoing factors, operating income for the year ended December 31, 2012 was approximately \$545,000 compared to approximately \$4,757,000 for the year ended December 31, 2011, a decrease of 88.5%.

Interest Income

Interest income for the year ended December 31, 2012 was approximately \$32,000 compared to approximately \$18,000 for the year ended December 31, 2011. This increase is primarily attributable to the increased cash available as a result of the public offering in May 2011 and the sale of the Application Laboratory, which was partially offset by the cash used for the purchase and renovations of the new headquarters at 355 South Technology Drive, Central Islip, New York. Our primary cash investing philosophy during these turbulent economic conditions remains that of minimizing risk.

Interest Expense

We incurred approximately \$205,000 of interest expense in the year ended December 31, 2012, which was approximately \$22,000, or 12.0% more than the \$183,000 incurred in the year ended December 31, 2011 primarily as a result of the loan agreement we entered into with HSBC Bank, USA, N.A. on March 15, 2012, for \$6,000,000 to finance a portion of the purchase price for our new corporate headquarters.

Other Income

Other income for the current year was approximately \$28,000, a decrease of \$168,000 compared to \$196,000 of other income generated during the year end December 31, 2011 when we received refunds for prior year's overpayment of income taxes.

Income Tax Provision

For the twelve months ended December 31, 2012, we recorded an income tax benefit of approximately \$35,000. This is primarily the result of applying federal, state and local income tax rates less research and development and other tax credits that we have availed ourselves of on pre-tax income of \$400,000 as compared to approximately \$1,109,000 of income tax expense for the twelve months ended December 31, 2011 on pre-tax income of \$4,788,000.

Net Income

As a result of the foregoing factors, for the year ended December 31, 2012, our net income amounted to approximately \$436,000, as compared to \$3,779,000 for the same period in 2011.

Inflation

Inflation has not materially impacted our operations.

Liquidity and Capital Resources

As of December 31, 2012, we had aggregate working capital of approximately \$20,100,000 compared to aggregate working capital of \$22,948,000 at December 31, 2011 and had available cash and cash equivalents of approximately \$13,721,000 compared to approximately \$18,137,000 in cash and cash equivalents at December 31, 2011. The decrease in working capital and cash and cash equivalents of \$2,848,000 or 12.4% and \$4,416,000 or 24.3%, respectively, is primarily attributable to the costs associated with the purchase and renovations of our new facility.

Accounts receivable, net of allowance for doubtful accounts, increased by approximately \$851,000 or 23.2% at December 31, 2012 to \$4,515,000 compared to \$3,664,000 at December 31, 2011. This increase is principally due to the timing of shipments and customer payments.

Inventories as of December 31, 2012 were approximately \$2,743,000 representing an increase of approximately \$511,000 or 22.9% compared to the balance of \$2,232,000 as of December 31, 2011. This increase in inventory is primarily due to the inclusion of equipment returned from a terminated contract that was previously classified as Idle inventory.

As of December 31, 2012, our backlog was approximately \$8,342,000, a decrease of \$7,856,000 or 48.5% compared to \$16,198,000 at December 31, 2011. The decrease is directly attributable to the purposeful reduction in the amount of new orders accepted during this transition phase of moving to the new building. The timing for completion of the backlog varies depending on the product mix and can be as long as two years. Included in the backlog are all accepted purchase orders with the exception of those that are included in our percentage-of-completion. Order backlog is usually a reasonable management tool to indicate expected revenues and projected profits, however, it does not provide an assurance of future achievement or profits as order cancellations or delays are possible.

On August 5, 2011, we entered into a \$9.1 million credit agreement with HSBC Bank, USA, N.A., (“HSBC”) to replace our \$5 million revolving credit agreement and \$2.1 million of existing mortgages previously held by Capital One Bank, N.A. This new agreement consists of a \$7 million revolving credit facility and a \$2.1 million five (5) year term loan. The revolving credit facility permits us to borrow on a revolving basis until August 5, 2014. Interest on the unpaid principal balance of the term loan accrues at a fixed rate of 3.045%. Borrowings under the term loan are collateralized by certain assets as defined under the agreement. We have not utilized this revolving credit facility. The credit agreement also contains certain financial covenants, one of which we were not in compliance with at December 31, 2012. We have secured a waiver by HSBC on that covenant.

In March 2002, we received from General Electric Capital Corporation a \$2,700,000 mortgage loan, secured by the real property and building and improvements to finance and improve our facility in Ronkonkoma, New York. The mortgage loan, which has an outstanding balance as of December 31, 2012 of \$1,007,842, is payable in equal monthly installments of \$22,285 including interest at 5.67% per annum; pursuant to an industrial development bond purchase agreement with the town of Islip Industrial Development Agency. As of December 31, 2012, we were not in compliance with one of the financial covenants of the agreement. We have secured a waiver from GE Capital on that covenant. The final payment is due March 2017.

In April, 2012, we completed the sale of our facility located at 979 Marconi Avenue, Ronkonkoma, New York, where our Application Laboratory was located. The selling price for the facility was approximately \$1,659,000 and as a result we incurred a long-term capital loss on the sale of approximately \$694,000.

On August 5, 2011, as previously stated, we entered into a \$2.1 million five (5) year term loan with HSBC that was used to pay off the existing mortgages held by Capital One Bank, N.A. Interest on this term loan accrues at the fixed rate of 3.045%. Borrowings under the term loan are collateralized by certain assets as defined under the agreement. As of December 31, 2012, the balance remaining on this loan was \$1,540,000.

On March 16, 2012, effective as of March 15, 2012, we closed on the purchase of the premises located at 355 South Technology Drive, Central Islip, New York. The purchase price of the building was \$7,200,000 exclusive of closing costs. The transaction was structured pursuant to Section 1031 of the Internal Revenue Code, as amended, as a reverse tax deferred exchange. In order to avail ourselves of certain real estate and sales tax abatements, the purchase took the form of an assignment and lease purchase agreement with fee title continuing to be vested in the Town of Islip Industrial Development Agency.

Pursuant to the terms of an Accommodation Agreement, we entered a loan agreement (the “Loan”) with HSBC Bank USA, N.A. in the amount of \$6,000,000, the proceeds of which were used to finance a portion of the purchase price. The Loan is secured by a mortgage against the Central Islip Facility. The loan is payable in 120 consecutive equal monthly installments of principal of \$25,000 plus interest thereon and a final balloon payment of \$3,000,000. Interest accrues on the Loan, at our option, at the variable rate of (a) 1.75% above LIBOR, or (b) a rate equal to 0.5% below HSBC’s prime rate. The Loan matures on March 15, 2022.

The large demand for energy savings, energy generation materials and products needed to address rising energy costs creates a growing demand for manufacturing solutions using thin film coatings on glass, wafers and other substrates. Our Application Laboratory will help perfect and expand the multiple areas where low cost thin film manufacturing solutions can be applied and further optimize our technologies for cost and performance. We believe the solar, energy, electronic, aerospace, medical, LED's, graphene, nanowires and nanotubes markets we are addressing with multiple products have significant growth opportunities for technologies that deliver favorable cost benefits.

We believe that our cash and cash equivalent positions, cash flow from operations and our credit facilities will be sufficient to meet our working capital and capital expenditure requirements for the next twelve months.

We may also raise additional funds 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 funds even before we need them if the conditions for raising capital are favorable. On February 14, 2011, we filed a shelf registration statement on Form S-3 with the United States Securities and Exchange Commission ("SEC") to register shares of our common stock and other securities for sale, giving us the opportunity to pursue possible future fundraising of up to \$20 million (the "Registration Amount") when needed or otherwise considered appropriate at prices and on terms to be determined at the time of any such offerings. This shelf registration was declared effective by the SEC on February 28, 2011. On May 27, 2011 we received \$9,388,000 net proceeds from the issuance of 967,950 shares of our common stock at \$10.50 per share less \$775,000 of underwriting and other costs in our public offering. We currently have the ability, subject to satisfaction of applicable requirements, to sell securities for the balance of the Registration Amount under the shelf registration statement. The number of shares that we can sell and the amount of the gross proceeds that we can raise may be subject to certain limitations pursuant to applicable NASDAQ marketplace and SEC rules. Any equity or equity-linked financing could be dilutive to existing shareholders.

Critical Accounting Policies

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. Our significant estimates include accounting for certain items such as revenues on long-term contracts recognized on the percentage-of-completion method, recognition of stock-based compensation, assessment for impairment of our long-lived assets, and the valuation allowances for our income tax provisions.

Revenue Recognition

We continue to recognize 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 our total estimated costs over the percentage of total costs incurred on 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.

Stock-Based Compensation

We record stock-based compensation in accordance with the provisions set forth in ASC 718, "Stock Compensation," using the modified prospective method. ASC 718 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.

Long-Lived Assets

Long-lived assets consist primarily of property, plant and equipment. Long-lived assets are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if impairment exists pursuant to the requirements of ASC 360-10-35, "Impairment or Disposal of Long-Lived Assets." If the asset is determined to be impaired, the impairment loss is measured on the excess of its carrying value over its fair value. Assets to be disposed of are reported at the lower of their carrying value or net realizable value. We had no recorded long-lived asset impairment charges in the statement of operations during each of the years ended December 31, 2012 and 2011.

Off-Balance Sheet Arrangements

None.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements and supplementary data required by this item are included in this annual report beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

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 our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2012. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer, along with the management of the Company, have determined that as of December 31, 2012, the disclosure controls and procedures were 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 required disclosures.

Management's Annual Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a – 15(f) of the Exchange Act). There are inherent limitations to the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time. We have assessed the effectiveness of our internal controls over financial reporting (as defined in Rule 13a -15(f) of the Exchange Act) as of December 31, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Management concluded that, as of December 31, 2012, our internal control over financial reporting was effective based on the criteria established by the COSO Internal Control Framework.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

Background and Experience of Directors

When considering whether directors and nominees have the experience, qualifications, attributes or skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of our business and structure, the Nominating, Governance and Compliance Committee focused primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth immediately below. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business. As more specifically described in such person's individual biographies set forth below, our directors possess relevant and industry-specific experience and knowledge in the engineering financial and business fields, as the case may be, which we believe enhances the Board's ability to oversee, evaluate and direct our overall corporate strategy. The Nominating, Governance and Compliance Committee annually reviews and makes recommendations to the Board regarding the composition and size of the Board so that the Board consists of members with the proper expertise, skills, attributes, and personal and professional backgrounds needed by the Board, consistent with applicable regulatory requirements.

The Nominating, Governance and Compliance Committee believes that all directors, including nominees, should possess the highest personal and professional ethics, integrity, and values, and be committed to representing the long-term interests of our shareholders. The Nominating, Governance and Compliance Committee will consider criteria including the nominee's current or recent experience as a senior executive officer, whether the nominee is independent, as that term is defined in existing independence requirements of the NASDAQ Capital Market and the Securities and Exchange Commission, the business, scientific or engineering experience currently desired on the Board, geography, the nominee's industry experience, and the nominee's general ability to enhance the overall composition of the Board.

The Nominating, Governance and Compliance Committee does not have a formal policy on diversity; however, in recommending directors, the Board and the Committee consider the specific background and experience of the Board members and other personal attributes in an effort to provide a diverse mix of capabilities, contributions and viewpoints which the Board believes enables it to function effectively as the Board of Directors of a company with our size and the nature of our business.

Director Service on other Boards

Conrad J. Gunther served on the Board of Directors of Halo Companies, Inc., a publicly traded company, formerly known as GVC Venture Corp until September 2009.

Legal Proceedings Involving Directors

None.

Board Leadership

The Board has no formal policy with respect to separation of the positions of Chairman and CEO or with respect to whether the Chairman should be a member of management or an independent director, and believes that these are matters that should be discussed and determined by the Board from time to time. Currently, Leonard A. Rosenbaum serves as our Chairman, President and CEO. Given the fact that Mr. Rosenbaum, in his capacity as our President and CEO is tasked with the responsibility of implementing our corporate strategy, we believe he is best suited for leading discussions, at the Board level, regarding performance relative to our corporate strategy, and these discussions account for a significant portion of the time devoted at our Board meetings.

Our Certificate of Incorporation and Bylaws provide for our Company to be managed by or under the direction of the Board of Directors. Under our Certificate of Incorporation and Bylaws, the number of directors is fixed from time to time by the Board of Directors. The Board of Directors currently consists of six members. Directors are elected for a period of one year and thereafter serve, subject to the Bylaws, until the next annual meeting at which their successors are duly elected by the shareholders.

The following table sets forth the names, ages and positions with the Company of each of our directors and executive officers, as of March 20, 2013.

Name	Age	Position(s) with the Company
Leonard A. Rosenbaum	67	Chairman of the Board of Directors, Chief Executive Officer, President
Martin J. Teitelbaum	62	Director, General Counsel and Assistant Secretary
Conrad J. Gunther	66	Director, Chairperson-Audit Committee
Bruce T. Swan	80	Director, Chairperson- Compensation Committee
Kelly S. Walters	42	Director, Chairperson-Finance Committee
Carol R. Levy *	65	Director, Chairperson-Nominating, Governance and Compliance Committee
Glen R. Charles	59	Chief Financial Officer, Secretary
Karlheinz Strobl	53	Vice President of Business Development

*Carol Levy resigned from the Board on February 9, 2013.

Leonard A. Rosenbaum

Leonard A. Rosenbaum founded the Company in 1982 and has been our President, Chief Executive Officer and has served as Chairman of the Board of Directors since that time. From 1971 until 1982, Mr. Rosenbaum was president, director and a principal stockholder of Nav-Tec Industries, a manufacturer of semiconductor processing equipment similar to the type of some of the equipment we currently manufacture. From 1966 to 1971, Mr. Rosenbaum was employed by a division of General Instrument, a manufacturer of semiconductor materials and equipment.

Martin J. Teitelbaum, Esq.

Martin J. Teitelbaum has served as a member of our Board of Directors and General Counsel since 1985 and as our in-house General Counsel since May 16, 2011. Mr. Teitelbaum is an attorney, who prior to May 16, 2011, conducted his own private practice, the Law Offices of Martin J. Teitelbaum. Prior to establishing his own firm in 1988, Mr. Teitelbaum was a partner at Guberman and Teitelbaum from 1977 to 1987. In addition, Mr. Teitelbaum currently acts as our Assistant Secretary. Mr. Teitelbaum earned a B.A. in Political Science from the State University of New York at Buffalo and a Juris Doctor from Brooklyn Law School. Mr. Teitelbaum has served as our outside General Counsel for many years and his legal expertise makes him an asset to the Company's board of directors.

Conrad J. Gunther

Conrad J. Gunther has served as a member of our Board of Directors since 2000. Mr. Gunther has extensive experience in mergers and acquisitions and in raising capital through both public and private means. He has been an executive officer and director of several banks, both public and private, and has served on the boards of two other public companies. He most recently served on the board of GVC Venture Corp., a public company from June 2004 until it merged with the Halo Companies in September 2009. Since January 2008, Mr. Gunther has served as an Executive Vice President and Senior Loan Officer for Community National Bank, a Long Island, New York based commercial bank, where he is responsible for all commercial lending. Mr. Gunther qualifies to serve on our board of directors as a result of his experience and expertise in the financial community.

Bruce T. Swan

Bruce T. Swan has served as a member of our Board of Directors since September 2003. Mr. Swan who is presently retired has extensive banking, export and international credit experience. He has held the positions of Deputy Manager at Brown Brothers Harriman and Co., Assistant Treasurer at Standard Brands Incorporated, Assistant Treasurer at Monsanto Corporation, Vice President and Treasurer at AM International Inc. and President and Founder of Export Acceptance Company. Mr. Swan, earned his MBA from Harvard University and is a former adjunct faculty member of New York University's Stern School of Business Administration. Mr. Swan is qualified to serve as an independent member of our board of directors because of his vast expertise and experience in the financial services industry.

Kelly S. Walters

Kelly S. Walters was appointed a member of the Board of Directors in September, 2009. Mr. Walters is a Senior Vice President at Schwartz Heslin Group Inc., an investment banking and management advisory firm specializing in business and strategic advisory, mergers and acquisitions, and valuation services. Prior to joining Schwartz Heslin, Mr. Walters was managing principal of Forefronts Group, a management consulting firm focused on clean technology, and advanced materials including nanotechnology. Mr. Walters began his investment banking career at Lehman Brothers in 2000 as an associate in the firm's chemicals and industrials group following four years at Lexmark International, Inc. where he was a senior corporate financial planning analyst. From 2003 to 2007, Kelly was a vice president in the chemicals industry group of Morgan Joseph & Co. prior to joining ThinkEquity LLC as an investment banking principal covering emerging growth companies in the clean technology and nanotechnology industries until 2009. Mr. Walters earned an MA at The Patterson School of Diplomacy and International Commerce at the University of Kentucky where he also earned BA and MBA degrees in economics and finance. Kelly is a Chartered Financial Analyst (CFA), a Certified Management Accountant (CMA) and a Certified Financial Manager (CFM). Mr. Walters is qualified to serve as an independent member of our board because of his experience in the alternative energy and nanotechnology fields.

Carol R. Levy

Carol R. Levy has been President of Stillwater Investment, Inc. since 1986. In that capacity, she has led investment groups in the purchase of moderate-size-manufacturing companies. She currently serves as chairperson of B&P Process Equipment and Systems, a Saginaw, Michigan based manufacturer of large scale mixing and separation process equipment. Prior to forming Stillwater, Mrs. Levy spent two decades in lending and finance, including posts as VP of Prucapital, a subsidiary of Prudential Insurance and VP of J. Henry Schroder Bank and Trust Co. She holds a BA from Mt. Holyoke College, an MA from the University of Michigan, and an MBA from New York University. She resides in Park City, Utah. Ms. Levy is qualified to serve as an independent member of our board because of her experience in the financial services and manufacturing industries. Ms. Levy resigned from the Board effective February 9, 2013.

Glen R. Charles

Glen R. Charles has been the Chief Financial Officer and Secretary of the Company since January, 2004. From 2002 until he joined the Company, he was the Director of Financial Reporting for Jennifer Convertibles, Inc., the owner and licensor of the largest group of sofabed specialty retail stores in the United States. From 1994 to 2002, he was the Chief Financial Officer of Trans Global Services, Inc., a provider of temporary technical services to the aerospace, aircraft, electronics and telecommunications markets. Mr. Charles has also had his own business in the private practice of accounting. Mr. Charles earned his B.S. in Accounting from the State University of New York at Buffalo.

Karlheinz Strobl

Dr. Karlheinz Strobl has been the Vice President of Business Development since October 2007. From 1997 to 2007, until he joined the Company, he was the founder and President of eele Laboratories, LLC, a technology and manufacturing solutions development company for a novel Light Engine for the video and data projection display market. Dr. Strobl holds over 14 patents and earned an MBA from Boston University, a PhD from the University of Innsbruck and an MS from both the University of Innsbruck and the University of Padova. He has also worked at the Max Plank Institute and at Los Alamos National Laboratory.

Code Of Ethics

We have adopted a Corporate Code of Conduct and Ethics that applies to our employees, senior management and Board of Directors, including the Chief Executive Officer and Chief Financial Officer. The Corporate Code of Conduct and Ethics is available on our web site, <http://www.cvdequipment.com>, by clicking on “About Us” and then clicking on “Corporate Overview.”

Audit Committee

Our Board of Directors has an Audit Committee that consists of Conrad J. Gunther, Bruce T. Swan and Kelly S. Walters. Carol R. Levy was formerly a member until she resigned from the Board effective February 9, 2013. Alan H. Temple Jr. was a member of the Audit Committee until his retirement on September 14, 2011, at which time he was replaced by Carol R. Levy. During the fiscal year ended December 31, 2012, the Audit Committee held four meetings. Pursuant to the Audit Committee Charter, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us, and each such independent auditor shall report directly to the Committee. The Audit Committee also reviews with management and the independent auditors, our annual audited financial statements (including the disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations”), the scope and results of annual audits and the audit and non-audit fees of the independent registered public accounting firm. Furthermore, the Audit Committee reviews the adequacy of our internal control procedures, the structure of our financial organization and the implementation of our financial and accounting policies. Messrs Gunther, Swan, Walters and Ms. Levy are “independent” under the requirements of the NASDAQ Stock Market. Ms. Levy resigned effective on February 9, 2013.

The Board of Directors has determined that Conrad J. Gunther is an “audit committee financial expert” as that term is defined in the rules and regulations of the Securities and Exchange Commission.

Section 16(a) Beneficial Ownership Reporting Compliance

The rules of the Securities and Exchange Commission require us to disclose late filings of reports of stock ownership and changes in stock ownership by our directors, officers and ten percent shareholders. To our knowledge, based solely on our review of (a) the copies of such reports and amendments thereto furnished to us and (b) written representations that no other reports were required, during our fiscal year ended December 31, 2012, all of the filings for our officers, directors and ten percent shareholders were made on a timely basis.

Item 11. Executive Compensation.

Summary Compensation Table

The following table sets forth the compensation of our chief executive officer and chief financial officer, and our “named executive officers,” for the years ended December 31, 2012 and 2011. The Company has no executive officers other than the “named executive officers.”

Name and principal position	Year	Salary (\$)	Bonus (\$)	Option Awards (\$)(1)	All Other Compensation	Total (\$)
Leonard A. Rosenbaum	2012	252,742	-	-	231,651 (2)	484,393
President and Chief Executive Officer	2011	235,434	50,000	-	-	285,434
Glen R. Charles	2012	150,721	23,510	-	-	174,231
Secretary and Chief Financial Officer	2011	145,601	35,810	-	75,480 (3)	256,891
Karlheinz Strobl	2012	166,644	23,510	30,500 (4)	-	220,654
Vice President of Business Development	2011	165,230	35,810	30,500 (4)	-	231,540
Martin J. Teitelbaum	2012	230,019	67,320	-	53,190 (3)	350,529
General Counsel and Assistant Secretary	2011	133,269	-	-	167,040 (3)	300,309

(1) Amounts shown do not reflect compensation actually received by the named executive officer. Instead, the amounts shown are the compensation costs recognized by CVD in fiscal 2012 and 2011 for option awards as determined pursuant to ASC 718. These compensation costs reflect option awards granted prior to fiscal 2012 and 2011. The assumptions used to calculate the value of option awards are set forth under Note 12 of the Notes to Consolidated Financial Statements. This column represents the grant date fair value of the awards as calculated in accordance with FASB ASC 718 (Stock Compensation). Pursuant to SEC rule changes effective February 28, 2010, we are required to reflect the total grant date fair values of the option grants in the year of grant, rather than the portion of this amount that was recognized for financial statement reporting purposes in a given fiscal year which was required under the prior SEC rules, resulting in a change to the amounts reported in prior Annual Reports.

(2) The amount shown is attributable as to \$123,480 as a result of the exercise by Mr. Rosenbaum of 21,000 shares of the Company’s common stock in 2012. The balance is attributable to accrued vacation time paid in 2012.

(3) The amount shown is a result of the exercise of options to purchase the Company’s common stock.

(4) The amount shown is attributable to non-qualified stock options to purchase 100,000 shares of the Company’s common stock granted to Mr. Strobl on October 10, 2007 that became exercisable as to 50.0% and 62.5% of the underlying shares on October 10, 2011 and October 10, 2012 respectively. These options were issued at a grant price equal to the then current market price of \$4.62. These options expire on October 10, 2017.

Employment Agreements and Potential Payments Upon Termination or Change in Control

Effective February 18, 2011 (the “Effective Date”). We entered into an Employment Agreement with Martin J. Teitelbaum to employ Mr. Teitelbaum as our General Counsel (the “Employment Agreement”).

The Employment Agreement provides for a term of five (5) years, unless earlier terminated pursuant to the employment Agreement. Mr. Teitelbaum shall receive an initial annual base salary of \$225,000 in the first year of employment, which shall be increased on the anniversary date of each year of the Effective Date by five (5%) percent over the prior year. As additional compensation, on the Effective Date, we issued Mr. Teitelbaum 20,000 shares of our restricted common stock pursuant to our 2007 Share Incentive Plan, which shall vest annually on each anniversary of the Effective Date, provided that Mr. Teitelbaum remains employed by us on such date, at the rate of 4,000 shares per year. In addition, Mr. Teitelbaum is entitled to receive the same benefits afforded other management level employees of the Company and may, from time to time, be awarded stock options and bonuses as the Board of Directors shall in its sole discretion determine.

In the event that we do not maintain an office in Nassau or Suffolk Counties for Teitelbaum to work out of, Mr. Teitelbaum shall have the option of (a) relocating to the new location or (b) receiving a lump-sum payment equal to eighty percent (80%) of his current salary for the balance of the Term, together with any accrued vacation time. In the event of a termination pursuant to the preceding sentence, all options and restricted stock held by or issued in the name of Mr. Teitelbaum shall immediately become fully vested and unrestricted. We shall have the right to terminate the Employment Agreement upon not less than ninety (90) days prior written notice to Mr. Teitelbaum, provided that upon such early termination, we shall pay Mr. Teitelbaum, in a lump sum, an amount equal to 80% of his current Base Salary for the remainder of the Term, together with any accrued vacation time, and all options and restricted stock held by or issued in the name of Mr. Teitelbaum shall immediately become fully vested and unrestricted.

Outstanding Equity Awards at December 31, 2012

The following table sets forth the outstanding equity awards held by our named executive officers as of December 31, 2012.

OPTION AWARDS

STOCK AWARDS

Name	Number of Securities Underlying Options Exercisable (#)	Number of Securities Options Unexercisable (#)	Exercise Price (\$)	Option Expiration Date	Number of shares or units of stock that have not Vested (#)	Market Value of shares or units of stock that have not Vested (\$)	Equity Incentive Awards:	
							Number of unearned shares or units that have not vested (#)	Market or payout value of unearned shares or units that have not vested (\$)
Leonard A Rosenbaum	24,000	-	3.65	12/12/2017-	-	-	-	-
Glen R. Charles	-	-	-	-	-	-	2,000 (2)	24,060
Karlheinz Strobl	62,500	37,500 (1)	4.62	10/10/2017-	-	-	2,000 (2)	24,060
Martin J. Teitelbaum	24,000	-	3.65	12/12/2017	16,000	192,480	-	-
	5,310	-	4.25	1/15/2020	-	-	-	-
	1,400	-	7.90	1/15/2021	-	-	-	-

(1) Options vest as to 12,500 shares on October 12 each year consecutively through 2015.

(2) Restricted stock units vest as to 1,000 shares on each of April 1 of 2013 and 2014.

2012 Director Compensation

The following table sets forth a summary of the compensation we paid to our non-employee directors in 2012.

Name	Fees Earned or Paid in Cash	Option Awards (1)	Restricted Stock Awards (1)	Total
Conrad J. Gunther	19,000	-	24,640	43,640
Bruce T. Swan	16,000	-	24,640	40,640
Kelly S. Walters	16,000	-	24,640	40,640
Carol R. Levy (2)	16,000	-	24,640	40,640

(1)

Amounts shown do not necessarily reflect compensation actually received by the named director. Instead, the amounts shown are the compensation costs recognized by CVD in fiscal 2012 for awards as determined pursuant to ASC 718. These compensation costs reflect awards granted in fiscal 2012. The assumptions used to calculate the value of option awards are set forth under Note 12 of the Notes to Consolidated Financial Statements.

(2) Carol Levy resigned from the Board on February 9, 2013.

At a meeting of the Stock Option and Compensation Committee on November 19, 2008, a director compensation plan was adopted applicable to all nonemployee directors, providing for annual compensation in the sum of approximately forty thousand dollars (\$40,000) to be payable to each director in a combination of cash, restricted stock grant and stock options.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth, as of March 20, 2013, information regarding the beneficial ownership of our common stock by (a) each person who is known to us to be the owner of more than five percent (5%) of our common stock, (b) each of our directors, (c) each of the named executive officers, and (d) all directors and executive officers and executive employees as a group. For purposes of the table, a person or group of persons is deemed to have beneficial ownership of any shares that such person has the right to acquire within 60 days of March 20, 2013.

Name and Address of Beneficial Owner(1)	Amounts and Nature of Beneficial Ownership (2)	Percent of Class (%)
Leonard A. Rosenbaum	1,104,650 (3)	18.3
Martin J. Teitelbaum	72,046 (4)	1.2
Conrad J. Gunther	79,788 (5)	1.3
Bruce T. Swan	11,310 (6)	*
Kelly S. Walters	4,000 (7)	*
Carol R. Levy **	3,050 (8)	*
Glen R. Charles	14,500 (9)	*
Karlheinz Strobl	73,521 (10)	1.2
All directors and executive officers and executive employees as a group (eight (8) persons)	1,362,865	22.9

*Less than 1% of the outstanding common stock or less than 1% of the voting power

** Ms. Levy resigned from the board of Directors on February 9, 2013.

(1) The address of Messrs. Rosenbaum, Teitelbaum, Gunther, Swan, Walters, Levy, Charles and Strobl is c/o CVD Equipment Corporation, 355 South Technology Drive, Central Islip, New York 11722.

(2) All of such shares are owned directly with sole voting and investment power, unless otherwise noted below.

(3) Includes options to purchase 24,000 shares of our common stock.

(4) Includes 2,000 shares held by Mr. Teitelbaum's wife as to which beneficial ownership thereof is disclaimed by Mr. Teitelbaum, and options to purchase 30,710 shares of our common stock. Does not include 12,000 shares of unvested restricted common stock.

(5) Includes options to purchase 32,110 shares of our common stock. Does not include 1,200 shares of unvested restricted common stock.

(6) Does not include 1,200 shares of unvested restricted common stock.

(7) Includes options to purchase 2,800 shares of our common stock. Does not include 1,200 shares of unvested restricted common stock.

(8) Does not include 1,000 shares of unvested restricted common stock.

(9) Includes options to purchase 62,500 shares of our common stock. Does not include options to purchase 37,500 shares of our common stock. Does not include 1,000 shares of unvested restricted common stock.

See Item 5, Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities under the heading "Equity Compensation Plan Information" for information regarding our securities authorized for issuance under equity compensation plans.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Related Person Transactions

We maintain bank accounts and deposit cash in Community National Bank. Conrad Gunther, a director of the Company, is an Executive Vice President and Senior Loan Officer at Community National Bank. We do not pay any fees to Mr. Gunther or Community National Bank in connection with this investment vehicle.

Director Independence

The current members of our Board of Directors are Leonard A. Rosenbaum, Martin J. Teitelbaum, Conrad J. Gunther, Bruce T. Swan and Kelly S. Walters. Messrs. Gunther, Swan and Walters have been determined to be “independent” as defined under Rule 4200 of the Nasdaq Stock Market.

Item 14. Principal Accountant Fees and Services.

The following presents fees for professional audit services rendered by MSPC, Certified Public Accountants and Advisors, A Professional Corporation ("MSPC"), for the audit of our financial statements for the years ended December 31, 2012 and December 31, 2011.

Audit Fees

The aggregate fees billed by MSPC for the annual audit of the Company, quarterly interim reviews of financial statements including our reports on Form 10-Q and services normally provided by them in connection with statutory and regulatory filings, for fiscal years 2012 and 2011, were \$110,000 and \$102,000, respectively.

Audit- Related Fees

We incurred \$10,000 in audit-related fees in 2012 and \$20,000 in 2011.

Tax Fees

Tax fees in 2012 consisted of the tax preparation of the 2011 tax returns by Holtz, Rubenstein Reminick LLP. The aggregate fees billed by Holtz, Rubenstein Reminick LLP in 2012 were \$20,235. The aggregate fees billed by Holtz, Rubenstein Reminick, LLP and MSPC in 2011 were \$18,448.

All Other Fees

We did not incur any other fees in 2012 or 2011.

Audit Committee Approval

The engagement of the Company's independent registered public accounting firm is pre-approved by the Company's Audit Committee. The Audit Committee pre-approves all fees billed and all services rendered by the Company's independent registered public accounting firm.

PART IV

Item 15. Exhibits, Financial Statement Schedules

- 3.1 Certificate of Incorporation dated October 12, 1982 of Certificate of Corporation incorporated herein by reference to Exhibit 3.1 to our Form S-1 filed on July 3, 2007.
- 3.2 Certificate of Amendment dated April 25, 1985 of Certificate of Corporation incorporated herein by reference to Exhibit 3.1 to our Form S-1 filed on July 3, 2007.
- 3.3 Certificate of Amendment dated August 12, 1985 of Certificate of Corporation incorporated herein by reference to Exhibit 3.1 to our Form S-1 filed on July 3, 2007.
- 3.4 Bylaws of CVD Equipment Corporation, incorporated herein by reference to Exhibit 3.2 to our Form S-1 filed on July 3, 2007.
- 10.1 Form of Non-Qualified Stock Option Agreement with certain directors, officers and employees of CVD Equipment Corporation incorporated herein by reference to our Registration Statement on Form S-8 No. 33-30501, filed August 15, 1989.*
- 10.2 Purchase Agreement relating to a 22,000 square foot facility from Kidco Realty incorporated herein by reference to our Form 8-K filed on December 31, 1998.
- 10.3 CVD Equipment Corporation 2001 Stock Option Plan incorporated herein by reference to Exhibit 3.1 to our Form S-1 filed on July 3, 2007.*
- 10.4 Form of Non-Qualified Stock Option Agreement incorporated herein by reference to Exhibit 3.1 to our Form 10-KSB filed on March 26, 2007.*
- 10.5 1989 Key Employee Stock Option Plan incorporated herein by reference to Amendment No. 1 to our Form S-1 filed on August 7, 2007.
- 10.6 CVD Equipment Corporation 2007 Share Incentive Plan incorporated herein by reference to our Schedule 14A filed November 5, 2007.
- 10.7 Lease Agreement, dated February 9, 2012, by and between FAE Holdings 411519R, LLC and the Company incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.
- 10.8 Assignment Agreement, dated February 9, 2012, by and between FAE Holdings 411519R, LLC and the Company incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.
- 10.9 Qualified Exchange Accommodation Agreement, dated February 9, 2012, by and between FAE Holdings 411519R, LLC and the Company incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.

- 10.10 Joint and Several Hazardous Material Guaranty and Indemnification Agreement, dated March 15, 2012, by and between FAE Holdings 411519R, LLC and the Company incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.
- 10.11 Assignment of Leases and Rents, dated March 15, 2012, by and among FAE Holdings 411519R, LLC, the Town of Islip Industrial Development Agency and HSBC Bank USA, National Association incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.
- 10.12 Amended and Restated Fee and Leasehold Mortgage, dated March 15, 2012, by and among FAE Holdings 411519R, LLC, the Town of Islip Industrial Development Agency and HSBC Bank USA, National Association incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.
- 10.13 Amended and Restated Note, dated March 15, 2012, by and among FAE Holdings 411519R, LLC, the Town of Islip Industrial Development Agency and HSBC Bank USA, National Association incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.
- 10.14 Note and Mortgage Assumption Agreement, dated March 15, 2012, by and among FAE Holdings 411519R, LLC, the Town of Islip Industrial Development Agency and HSBC Bank USA, National Association incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.
- 10.15 Guaranty of Payment, dated March 15, 2012, by the Company incorporated by reference from the Company's Report on Form 10-Q filed with the Commission on May 15, 2012.
- 10.16 Consolidated and Restated Mortgage Note relating to Registrant's property known as 1117 Old Kings Highway, Saugerties, New York incorporated by reference to our Current Report on Form 8-K filed on July 7, 2008.
- 10.17 Employment Agreement effective February 18, 2011 between CVD Equipment Corporation and Martin J. Teitelbaum incorporated by reference from our Report on Form 10-Q filed with the Commission on May 11, 2011.
- 10.18 Credit Agreement dated August 5, 2011, by and between CVD Equipment Corporation and HSBC Bank, USA, National Association incorporated by reference to our Report on form 10-Q filed on November 14, 2011.
- 10.19 Contract of Sale, dated May 31, 2012, between CVD Equipment Corporation and Glomel LLC incorporated by reference to our Report on Form 10-Q filed on August 14, 2012.

- 21.1 List of Subsidiaries.
- 23.1 Consent of MSPC, Certified Public Accountants and Advisors, A Professional Corporation (S-1).
- 23.2 Consent of MSPC, Certified Public Accountants and Advisors, A Professional Corporation (S-8).
- 23.3 Consent of MSPC, Certified Public Accountants and Advisors, A Professional Corporation (S-8).
- 23.4 Consent of MSPC, Certified Public Accountants and Advisors, A Professional Corporation (S-3).
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
- 32.1 Section 1350 Certification of Principal Executive Officer.
- 32.2 Section 1350 Certification of Principal Financial Officer.

101.INS** 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

* Management contract or compensatory plan or arrangement required

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with Section 13 or 15(d) 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.

CVD EQUIPMENT CORPORATION

By: /s/ Leonard A. Rosenbaum
 Name: Leonard A. Rosenbaum
 Title: President and Chief Executive Officer

By: /s/ Glen R. Charles
 Name: Glen R. Charles
 Title: Chief Financial Officer and Secretary
 Principal Financial and Accounting
 Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated below.

NAME	POSITION	DATE
/s/ Leonard A Rosenbaum Leonard A. Rosenbaum	President, Chief Executive Officer and Director (Principal Executive Officer)	April 1, 2013
/s/ Martin J. Teitelbaum Martin J. Teitelbaum	Director, General Counsel and Assistant Secretary	April 1, 2013
/s/ Conrad J. Gunther Conrad J. Gunther	Director	April 1, 2013
/s/ Bruce T. Swan Bruce T. Swan	Director	April 1, 2013
/s/ Kelly S. Walters Kelly S. Walters	Director	April 1, 2013

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
CVD Equipment Corporation and Subsidiary
Central Islip, New York

We have audited the accompanying consolidated balance sheets of CVD Equipment Corporation and Subsidiary as of December 31, 2012 and 2011, and the related statements of operations, changes in stockholders' equity, and cash flows for each of the two years in the two-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CVD Equipment Corporation and Subsidiary as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ MSPC
Certified Public Accountants and Advisors,
A Professional Corporation

Cranford, New Jersey
April 1, 2013

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

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Balance Sheets
As of December 31,

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,721,324	\$ 18,136,527
Accounts receivable, net	4,515,124	3,663,579
Costs and estimated earnings in excess of billings on uncompleted contracts	2,730,104	3,410,824
Inventories, net	2,742,905	2,232,073
Idle inventories	-	975,000
Deferred income taxes	189,153	189,510
Other current assets	192,438	150,803
Total Current Assets	24,091,048	28,758,316
Property, plant and equipment, net	12,894,154	7,948,957
Construction in progress	4,051,573	-
Deferred income taxes	568,744	390,080
Restricted Cash	800,000	1,000,000
Other assets	78,128	401,658
Intangible assets, net	41,614	49,967
Total Assets	\$ 42,525,261	\$ 38,548,978
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	\$ 935,822	\$ 623,953
Billings in excess of costs and estimated earnings on uncompleted contracts	475,905	1,687,210
Accounts payable	888,058	782,053
Accrued expenses	1,355,389	1,592,281
Accrued professional fees – related party	-	35,000
Deferred revenue	335,404	1,089,966
Total Current Liabilities	3,990,578	5,810,463
Long-term debt, net of current portion	7,387,019	2,547,842
Total Liabilities	11,377,597	8,358,305
Commitments and Contingencies (Note 16)	-	-
Stockholders' Equity:		
Common stock - \$0.01 par value – 10,000,000 shares authorized: issued and outstanding, 6,046,970 shares at December 31, 2012 and 5,958,785 shares at	60,470	59,589

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December 31, 2011

Additional paid-in capital	20,990,891	20,470,367
Retained earnings	10,096,303	9,660,717
Total Stockholders' Equity	31,147,664	30,190,673
Total Liabilities and Stockholders' Equity	\$42,525,261	\$38,548,978

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

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CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Statements of Operations
Years ended December 31,

	2012	2011
Revenue	\$ 22,157,737	\$ 30,993,885
Cost of revenue	14,169,163	19,544,888
Gross profit	7,988,574	11,448,997
Operating expenses		
Selling and shipping	1,236,699	1,207,915
General and administrative	5,512,840	5,449,176
Related party – professional fees	-	35,000
Loss on sale of building	693,818	-
Total operating expenses	7,443,357	6,692,091
Operating income	545,217	4,756,906
Other income (expense):		
Interest income	31,620	18,136
Interest expense	(204,874)	(182,969)
Other income	28,129	195,567
Total other income (expense), net	(145,125)	30,734
Income before income tax expense	400,092	4,787,640
Income tax (benefit) expense	(35,494)	1,008,517
Net income	\$ 435,586	\$ 3,779,123
Basic earnings per common share	\$0.07	\$0.69
Diluted earnings per common share	\$0.07	\$0.67
Weighted average common shares outstanding basic	6,007,326	5,450,565
Weighted average common shares outstanding diluted	6,132,237	5,629,907

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

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance – January 1, 2011	4,819,325	\$48,193	\$10,329,526	\$5,881,594	\$ 16,259,313
Exercise of stock options	131,560	1,316	472,657		473,973
Stock-based compensation	39,950	400	290,198		290,598
Issuance of common stock under public offering-net	967,950	9,680	9,377,986		9,387,666
Net income				3,779,123	3,779,123
Balance – December 31, 2011	5,958,785	\$59,589	\$20,470,367	\$9,660,717	\$ 30,190,673
Exercise of stock options	68,210	682	285,865		286,547
Stock-based compensation	19,975	199	234,659		234,858
Net income				435,586	435,586
Balance – December 31, 2012	6,046,970	\$60,470	\$20,990,891	\$10,096,303	\$ 31,147,664

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

CVD EQUIPMENT CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years ended December 31,

	2012	2011
Cash flows from operating activities:		
Net income	\$435,586	\$3,779,123
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Stock-based compensation		