CVD EQUIPMENT CORP
Form 10-Q
November 16, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

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	**11-2621692**
(State or Other Jurisdiction of Incorporation or Organization)	***(I.R.S. Employer Identification No.)***

355 South Technology Drive

Central Islip, New York

11722

(Address of principal executive offices)

(631) 981-7081
(Registrant's telephone number, including area code)

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 6,172,227 shares of Common Stock, $0.01 par value at November 5, 2015.

CVD EQUIPMENT CORPORATION AND SUBSIDIARY

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PART 1 – FINANCIAL INFORMATION

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(Unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$13,269,050	$11,966,863
Accounts receivable, net	5,054,107	6,463,050
Costs and estimated earnings in excess of billings on contracts in progress	2,511,970	2,498,662
Inventories	3,646,889	4,842,059
Restricted cash - current	200,000	200,000
Deferred income taxes – current	2,098,603	2,887,960
Other current assets	104,401	194,756
Total Current Assets	26,885,020	29,053,350
Property, plant and equipment, net	14,964,713	15,025,283
Construction in progress	10,494	389,276
Deferred income taxes – non-current	1,360,082	750,133
Restricted cash – non-current	---	200,000
Other assets	94,516	82,559
Intangible assets, net	59,596	55,871
Total Assets	$43,374,421	$45,556,472
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$1,838,499	$1,682,838
Accrued expenses	3,883,070	3,297,052
Current maturities of long-term debt	685,000	720,000
Billings in excess of costs and estimated earnings on contracts in progress	753,026	1,328,508
Deferred revenue	234,632	488,691
Accrued litigation settlement	---	4,925,000
Total Current Liabilities	7,394,227	12,442,089
Long-term debt, net of current portion	3,340,508	3,845,508

Total Liabilities	10,734,735	16,287,597
Commitments and Contingencies	----	----
Stockholders' Equity		
Common stock - $0.01 par value – 10,000,000 shares authorized; issued and outstanding, 6,172,227 at September 30, 2015 and 6,162,027 at December 31, 2014	61,722	61,620
Additional paid-in-capital	22,701,296	22,144,805
Retained earnings	9,876,668	7,062,450
Total Stockholders' Equity	32,639,686	29,268,875
Total Liabilities and Stockholders' Equity	$43,374,421	$45,556,472

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

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CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Revenue	$10,645,824	$8,867,158	$30,772,421	$19,359,547
Cost of revenue	6,520,341	5,558,059	18,730,107	12,031,801
Gross profit	4,125,483	3,309,099	12,042,314	7,327,746
Operating expenses				
Research and development	75,484	219,306	545,246	638,482
Selling and shipping	312,400	314,232	900,120	972,099
General and administrative	1,871,818	1,563,136	6,007,553	4,396,715
Litigation settlement	995,000	---	995,000	---
Total operating expenses	3,254,702	2,096,674	8,447,919	6,007,296
Operating income	870,781	1,212,425	3,594,395	1,320,450
Other income (expense)				
Interest income	5,894	9,265	17,708	23,940
Interest expense	(22,042)	(27,013)	(70,907)	(83,904)
Other income	--	2,252	781	28,463
Total other (expense)	(16,148)	(15,496)	(52,418)	(31,501)
Income before income taxes	854,633	1,196,929	3,541,977	1,288,949
Income tax expense	43,550	339,000	727,759	497,193
Net income	$811,083	$857,929	$2,814,218	$791,756
Basic income per common share	$0.13	$0.14	$0.46	$0.13
Diluted income per common share	$0.13	$0.14	$0.45	$0.13
Weighted average common shares Outstanding-basic	6,171,086	6,140,707	6,169,836	6,120,474
Net effect of potential common share issuance: Stock options	94,119	114,765	111,516	116,083

Weighted average common shares Outstanding-diluted	6,265,205	6,255,472	6,281,353	6,236,557

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

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	$2,814,218	$791,756
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	556,593	370,830
Depreciation and amortization	636,236	590,385
Deferred tax expense/(benefit)	(331,750)	189,873
Provision for doubtful accounts	32,063	(84,182)
Changes in operating assets and liabilities:		
Accounts receivable	1,376,880	(1,666,998)
Costs and estimated earnings in excess of billings on contracts in progress	(13,308)	(1,006,869)
Inventories, net	1,195,169	(716,201)
Income taxes - current	511,158	--
Deposits	---	3,167
Other current assets	90,355	36,067
Increases/(decreases) in operating liabilities:		
Accounts payable and accrued expenses	741,707	1,663,191
Current maturities of long-term debt	(35,000)	---
Billings in excess of costs and estimated earnings on contracts in progress	(575,482)	291,634
Accrued litigation settlement	(4,925,000)	--
Deferred revenue	(254,058)	119,827
Net cash provided by operating activities	1,819,781	582,480
Cash flows from investing activities:		
Release of restricted cash	200,000	400,000
Capital expenditures	(212,594)	(396,055)
Net cash (used in)/provided by investing activities	(12,594)	3,945
Cash flows from financing activities:		
Net proceeds from stock options exercised	--	102,200
Payments of long-term debt	(505,000)	(540,000)
Net cash used in financing activities	(505,000)	(437,800)
Net increase in cash and cash equivalents	1,302,187	148,625
Cash and cash equivalents at beginning of period	11,966,863	11,247,560
Cash and cash equivalents at end of period	$13,269,050	$11,396,185

Supplemental disclosure of cash flow information:		
Income taxes paid	$427,078	$--
Interest paid	$70,907	$83,904

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

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements for CVD Equipment Corporation and Subsidiaries (collectively, "the Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the interim financials not misleading have been included and all such adjustments are of a normal recurring nature. The operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that can be expected for the year ending December 31, 2015.

The balance sheet as of December 31, 2014 has been derived from the audited consolidated financial statements at such date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, please refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, including the accounting policies followed by the Company as set forth in Note 2 to the consolidated financial statements contained therein.

All material intercompany transactions have been eliminated in consolidation. In addition, certain reclassifications have been made to prior period consolidated financial statements to conform to the current year presentation including reclassification of research and development expenses incurred independent of customer orders. These expenses which amounted to $75,000 and $545,000 for the three and nine months ended September 30, 2015, respectively, and $219,000 and $638,000 for the three and nine months ended September 30, 2014, respectively, had previously been included in cost of revenue and are now shown as an operating expense. Restricted cash has been split into current and non-current based on the amount that will be reduced annually.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Changes in job requirements, job conditions, and estimated profitability, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

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

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

Recent Accounting Pronouncements

In May 2014, The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers” (Topic 606), which changes the criteria for recognizing revenue.

The standard requires an entity which recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires a five-step process for recognizing revenues including identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction prices, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies a performance obligation. Publicly-traded companies were initially required to adopt the ASU for reporting periods beginning after December 15, 2016; however, the FASB has granted an extension to December 15, 2017 of the ASU. Currently companies may choose among different transition alternatives. Management is currently evaluating the impact that ASU 2014-09 will have on the Company’s consolidated financial statements and have not yet determined which method of adoption will be selected.

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 3: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Company places its cash equivalents with high credit-quality domestic financial institutions and invests its excess cash primarily in savings accounts, treasury bills and money market instruments. The Company performs periodic evaluations of the relative credit standing of all such institutions as it seeks to maintain stability and liquidity. Cash and cash investments at September 30, 2015 and December 31, 2014, exceeded the Federal Deposit Insurance Corporation (“FDIC”) limits by $12.4 million and $10.2 million respectively. The Company sells products and services to various companies across several industries in the ordinary course of business. The Company performs ongoing credit evaluations to assess the probability of accounts receivable collection based on a number of factors, including past transaction experience, evaluation of their credit history and review of the invoicing terms of the contract to determine the financial strength of its customers. The Company also maintains allowances for anticipated losses.

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 4: CONTRACTS IN PROGRESS

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

	September 30, 2015	December 31, 2014
Costs incurred on contracts in progress	$8,242,038	$4,250,300
Estimated earnings	9,052,783	4,541,377
	17,294,821	8,791,677
Billings to date	(15,535,877)	(7,621,523)
	$1,758,944	$1,170,154
Included in accompanying balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on contracts in progress	$2,511,970	$2,498,662
Billings in excess of costs and estimated earnings on contracts in progress	$(753,026)	$(1,328,508)

NOTE 5: INVENTORIES

Inventories consist of:

	September 30, 2015	December 31, 2014
Raw materials	$2,976,123	$4,307,913
Work-in-process	579,540	419,731
Finished goods	91,227	114,415
Totals	$3,646,889	$4,842,059

NOTE 6: ACCOUNTS RECEIVABLE

Accounts receivable are presented net of an allowance for doubtful accounts of approximately $82,000 and $50,000 as of September 30, 2015 and December 31, 2014, respectively. The allowance is based on prior experience and management’s evaluation of the collectability of accounts receivable. Management believes the allowance is adequate. However, future estimates may change based on changes in future economic conditions.

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 7: DEBT

On September 3, 2015, the Company extended its $7 million revolving credit facility with HSBC Bank, USA, N.A. (“HSBC”) with a new maturity date of September 1, 2018, under the same terms. This revolving credit facility remained unused as of both September 30, 2015 and December 31, 2014. Interest on the unpaid principal balance on this facility accrues at either (i) the London Interbank offered Rate (“LIBOR”) plus 1.75% or (ii) the bank’s prime rate minus 0.50%. The credit agreement also contains certain financial covenants, all of which the Company was in compliance with at September 30, 2015.

The Company also has eleven (11) months remaining on a five (5) year term loan in the initial amount of $2.1 million. The Company makes monthly principal payments of $35,000 plus interest on the term loan which matures on August 1, 2016. The principal balances as of September 30, 2015 and December 31, 2014 were $385,000 and $700,000 respectively. Interest on the unpaid $385,000 principal balance for the term loan, which was used to pay off the previous mortgages, accrues at a fixed rate of 3.045%. Borrowings under the term loan were initially collateralized by $1,000,000 restricted cash deposits and reduced on each anniversary of the closing date, (August 5th) by $200,000, provided that, so long as no event of default has occurred and is then continuing. The restricted balance at September 30, 2015 was $200,000 which is a separate line item on the consolidated balance sheet.

In March 2012, the Company entered into a mortgage loan agreement with HSBC Bank, USA, N.A., for the initial principal amount of $6,000,000 (the “Loan”), through the Town of Islip Industrial Development Agency. The Loan is secured by a mortgage against the property and building located at 355 South Technology Drive, Central Islip, New York. Interest presently accrues on the Loan, at our option, at the variable rate of LIBOR plus 1.75% which was 1.95635% and 1.9108% at September 30, 2015 and December 31, 2014 respectively. The outstanding principal balance on the mortgage at September 30, 2015 was $3,641,000. The Company makes monthly principal payments of $25,000 plus interest on the Loan which matures on March 15, 2022.

NOTE 8: STOCK-BASED COMPENSATION EXPENSE

During the three and nine months ended September 30, 2015 and September 30, 2014, the Company recorded compensation expense as part of general administrative expense, of $186,000 and $557,000 and $117,000 and $371,000 respectively, for the cost of employee and director services received in exchange for equity instruments based on the grant-date fair value of those instruments. This expense was recorded based upon the guidance of ASC 718, "Compensation-Stock Compensation."

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 9: INCOME TAXES

The provision for income taxes includes the following:

	Nine Months Ended September 30,	
	2015	2014
Current:		
Federal	$1,043,650	$281,748
State	15,859	25,572
Total Current Provision	1,059,509	307,320
Deferred:		
Federal	$(331,750)	$(191,472)
State	----	381,345
Total deferred	(331,750)	189,873
Income tax expense/(benefit)	$727,759	$497,193

In March 2014, New York State eliminated the state income tax for qualified manufacturing companies such as CVD. Due to this change in the tax law, the Company was required to write off state-level deferred tax assets which would have been used to offset future taxes payable to New York State. Though this change led to the loss of benefits we had recorded for previous operating losses, it will reduce total income tax expense for future periods, as essentially all of our operations are in New York State.

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 9: INCOME TAXES (continued)

Tax Rate Reconciliation

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

	Nine Months Ended September 30,	
	2015	2014
Income tax benefit at federal statutory rate [34%]	$1,204,274	$438,244
Change in capitalized inventory (Section 263A)	--	3,159
Change in other accruals	32,217	(27,936)
Difference between tax and book depreciation	(24,312)	(91,385)
Stock-based compensation	(39,234)	(97,041)
Research and development credits	(973,649)	(109,193)
Domestic production activities deduction	(109.989)	--
Net operating loss carryforward	954,581	--
Tax carryback	(511,158)	--
Provision to 2014 tax return true up	195,029	--
Impact of New York State taxation change	--	381,345
Income tax expense	$727,759	$497,193

NOTE 10: EARNINGS PER SHARE

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

Stock options to purchase 259,730 shares of common stock were outstanding and 147,230 were exercisable during the three and nine months ended September 30, 2015. Stock options to purchase 159,730 shares were outstanding and 134,730 were exercisable during the three and nine months ended September 30, 2014. For the three and nine months ended September 30, 2015 and the three and nine months ended September 30, 2014, all outstanding options were included in the diluted earnings per share calculation because the average market price was higher than the exercise price.

CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 10: EARNINGS PER SHARE (continued)

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

NOTE 11: LEGAL PROCEEDINGS

On September 4, 2015, the Company entered into a Settlement Agreement and Mutual General Release with Development Specialists, Inc., solely in its capacity as Assignee for the benefit of creditors of CM Manufacturing, Inc. f/k/a/ Stion Corporation ("DSI") regarding both the Arbitration proceeding which had been previously filed against it by DSI and the companion Delaware Court of Chancery Court action which had been filed by CVD (the "Chancery Action"). Pursuant to the Settlement Agreement, CVD paid the sum of $995,000 to DSI, and each party released all claims of any nature which it had against the other. The parties also executed and filed stipulations of dismissal with prejudice, of both the Arbitration and the Chancery Action.

NOTE 12: SEGMENT REPORTING

The Company operates through two (2) segments, CVD and SDC. The CVD division, which operates out of Central Islip, New York, is utilized for silicon, silicon germanium, silicon carbide and gallium arsenide processes. SDC is the Company's ultra-high purity manufacturing division in Saugerties, New York. The respective accounting policies of CVD and SDC are the same as those described in the summary of significant accounting policies (see Note 2). The Company evaluates performance based on several factors, of which the primary financial measure is income or (loss) before taxes.

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CVD EQUIPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

NOTE 12: SEGMENT REPORTING (continued)

Three Months

Ended September 30,

2015	CVD	SDC	Eliminations *	Consolidated
Revenue	$9,373,890	$1,445,257	$(173,323)	$10,645,824
Pretax income	687,094	167,539		854,633
2014				
Revenue	$7,693,131	$1,810,328	$(636,301)	$8,867,158
Pretax income	807,397	389,532		1,196,929

Nine Months

Ended September 30,

2015	CVD	SDC	Eliminations *	Consolidated
Revenue	$27,921,375	$4,676,210	$(1,825,164)	$30,772,421
Pretax income	2,322,739	1,219,238		3,541,977
2014				
Revenue	$16,339,298	$4,137,957	$(1,117,708)	$19,359,547
Pretax income	410,301	878,648		1,288,949

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

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

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

Results of Operations

Three Months Ended September 30, 2015 vs. Three Months Ended September 30, 2014

	Three Months Ended September 30, 2015	September 30, 2014	Change	% Change
(In thousands)				
Orders	$2,863	$ 6,400	$3,537	(55.3)
Order Backlog	11,487	12,058	(571)	(4.7)
Revenue				
CVD (net of eliminations)	$9,373	$ 7,690	$1,683	21.9
SDC (net of eliminations)	1,273	1,177	96	8.2
Total Revenue	10,646	8,867	1,779	20.1
Cost of Goods Sold	6,520	5,558	962	17.3