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CPI AEROSTRUCTURES INC
Form 10QSB
November 13, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period
ended September 30, 2002

Commission File Number 1-11398

CPI AEROSTRUCTURES, INC.
(Exact Name of Small Business Issuer as Specified in its Character)

New York

11-2520310

(State or Other Jurisdiction
of Incorporation or Organization)

(IRS Employer Identification Number)

200A EXECUTIVE DRIVE, EDGEWOOD, NY 11717
(Address of Principal Executive Offices)

Telephone number (631) 586-5200
(Issuer's Telephone Number Including Area Code)

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 such 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 X No ____

The number of shares of common stock, par value \$.001 per share, outstanding was 2,735,670 as of November 8 2002.

CPI AEROSTRUCTURES, INC.
AND SUBSIDIARY

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CPI AEROSTRUCTURES, INC.
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Part I - Financial Information

ITEM 1. Consolidated Financial Statements

ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
CPI Aerostructures, Inc.

We have reviewed the accompanying consolidated balance sheet of CPI Aerostructures, Inc. and Subsidiary as of September 30, 2002, and the related consolidated statements of operations for the nine-month and three-month periods ended September 30, 2002 and 2001 and the statement of cash flows for the nine-month periods ended September 30, 2002 and 2001. These financial statements are responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim

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financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2001, and the related consolidated statements of operations, shareholders' deficiency, and cash flows for the year then ended (not presented herein); and in our report dated March 29, 2002, except for the last paragraph of Note 5, as to which the date is April 12, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Goldstein Golub Kessler LLP
 GOLDSTEIN GOLUB KESSLER LLP
 New York, New York

October 24, 2002

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CPI AEROSTRUCTURES, INC.
 AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	September 30 2002 (Unaudited)

ASSETS	
Current Assets:	
Cash	\$ 121,002
Accounts receivable	2,852,597
Costs and estimated earnings in excess of billings on uncompleted contracts	10,214,846
Deferred Income Taxes, net of valuation allowance	253,000
Prepaid expenses and other current assets	23,745
Assets held for sale - discontinued operations	280,676

Total current assets	13,745,866
Property, Plant and Equipment, net	110,340
Deferred Income Taxes, net of valuation allowance	-----
Other Assets	179,226

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Total Assets			\$14,035,432
=====			
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities:			
Accounts payable			\$ 4,985,799
Accrued expenses			152,692
Line of credit			-----
Current portion of long-term debt			3,443,036
Deferred income taxes			-----

Total current liabilities			8,581,527
Long term debt			4,898,035

Total liabilities			13,479,562

Commitments and contingencies			
Shareholders' Equity (Deficiency):			
Common stock - \$.001 par value; authorized 50,000,000 shares, issued and outstanding 2,735,670 and 2,657,046			2,736
Additional paid - in capital			12,483,092
Accumulated deficit			(11,929,958)

Shareholders' equity (deficiency):			555,870

Total Liabilities and Shareholders' Deficiency			\$14,035,432
=====			

See Notes to Consolidated Financial Statements

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CPI AEROSTRUCTURES, INC.
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CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended Sept. 30,		For the Nine Mo
	2002	2001	20
	(Unaudited)		

Revenue	\$7,088,614	\$4,549,873	\$17,9

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Cost of sales	4,878,932	2,865,814	12,5

Gross profit	2,209,682	1,684,059	5,4
Selling, general and administrative expenses	775,867	307,360	1,8

Income from operations	1,433,815	1,376,699	3,6

Other (income) expense:			
Interest/other (income) expense	618	(821)	
Interest expense	185,997	45,389	3

Total other expenses, net	186,615	44,568	3

Income from continuing operations before provision for income taxes	1,247,200	1,332,131	3,3
Provision for income taxes	1,000	(534,000)	(5

Income before operations of discontinued segment	1,248,200	798,131	2,7
Loss from operations of discontinued segment	-----	(245,997)	

Net income (loss)	\$1,248,200	\$ 552,134	\$ 2,7
=====			
Basic net income (loss) per common share:			
Income before operations of discontinued segment	\$.46	\$.30	\$
Loss from operations of discontinued segment	-----	(.09)	

Earnings (loss) per common share - basic	\$.46	\$.21	\$
=====			
Diluted net income per common share:			
Income before operations of discontinued segment	\$.38	\$.30	\$
Loss from operations of discontinued segment	-----	(.09)	

Earnings (loss) per common share - diluted	\$.38	\$.21	\$
=====			
Shares used in computing earnings per common share:			
Basic	2,734,898	2,657,046	2,7
Diluted	3,299,098	2,690,380	3,1

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended September 30,

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Cash flows from operating activities:

Net income before operations of discontinued segment	\$2,793,8
Adjustments to reconcile net income before operations of discontinued segment to net cash used in operating activities:	
Depreciation and amortization	30,9
Warrants issued for consulting fees	5,7
Stock issued for bank fees	26,2
Loss on disposal of fixed assets	---
Deferred portion of provision for income taxes	530,0
Changes in operating assets and liabilities:	
Increase in accounts receivable	(684,2
Decrease in income tax refund receivable	---
Increase in costs and estimated earnings in excess of billings on uncompleted contracts	(3,247,4
Decrease in prepaid expenses and other current assets	61,1
Decrease (increase) in other assets	1,0
Increase in accounts payable and accrued expenses	407,9
Decrease in income taxes payable	---

Net cash used in operating activities (74,7

Cash flows from investing activities:

Purchase of property, plant and equipment	(40,0
Proceeds from sale of fixed assets	---

Net cash used in investing activities (40,0

Cash flows from financing activities:

Repayment from line of credit	---
Repayment of long-term debt	(2,966,2
Proceeds from exercise of stock options	84,1

Net cash used in financing activities (2,882,1

Net cash used in continuing operations	(2,996,8
Net cash provided by discontinued operations	2,937,3

Net increase in (decrease) cash	(59,5
Cash at beginning of period	180,5

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Cash at end of period \$ 121,0

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Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest \$ 167,0

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Income taxes \$ 13,3

=====

Supplemental schedule of non-cash financing activity:

Financing obligation incurred in connection with the acquisition of equipment \$ ---

=====

See Notes to Consolidated Financial Statements

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CPI AEROSTRUCTURES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. INTERIM FINANCIAL STATEMENTS The financial statements as of September 30, 2002 and for the nine months ended September 30, 2002 and 2001 are unaudited, however, in the opinion of the management of the Company, these financial statements reflect all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of the Company and the results of operations for such interim periods are not necessarily indicative of the results to be obtained for a full year.

2. COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS: Costs and estimated earnings in excess of billings on uncompleted contracts consist of:

	September 30, 2002		
	U.S. Government	Commercial	Total
Costs incurred on uncompleted contracts	\$18,413,197	\$13,017,710	\$31,430,907
Estimated earnings	7,810,645	5,947,898	13,758,543
Less billings to date	26,223,842	18,965,608	45,189,450
Costs and estimated earnings in			

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excess of billings on uncompleted contracts	\$ 8,160,518	\$ 2,054,328	\$10,214,846
---	--------------	--------------	--------------

December 31, 2001

	U.S. Government	Commercial	Total
Costs incurred on uncompleted contracts	\$7,359,234	\$12,485,185	\$19,844,419
Estimated earnings	2,040,413	6,728,158	8,768,571
	9,399,647	19,213,343	28,612,990
Less billings to date	5,425,681	16,219,924	21,645,605
Costs and estimated earnings in excess of billings on uncompleted contracts	\$3,973,966	\$ 2,993,419	\$ 6,967,385

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CPI AEROSTRUCTURES, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. EARNINGS PER COMMON SHARE: Basic earnings per common share is computed using the weighted average number of shares outstanding. Diluted earnings per common share is computed using the weighted-average number of shares outstanding adjusted for the incremental shares attributed to outstanding options and warrants to purchase common stock. Incremental shares of 564,200 and 435,841 were used in the calculation of diluted earnings per common share in the nine-month and three-month periods, respectively, ended September 30, 2002.

The convertible securities attributable to a note payable have been excluded from the fully diluted computation as their effect would be antidilutive.

4. DISCONTINUED OPERATIONS: On January 22, 2002, the Company announced a decision made by the Board of Directors as of December 31, 2001 to close the Kolar facilities located in Ithaca, New York, and liquidate its assets through a public auction of its machinery and

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equipment and the private sale of its real estate. On February 21, 2002, Kolar sold a substantial portion of its machinery and equipment at an auction conducted by Daley-Hodkin Corporation at Kolar's main facility in Ithaca, New York. Proceeds from actual sales of machinery, equipment and real property approximated \$2,905,000 as of September 30, 2002. The disposition of Kolar's operations represents a disposal of a business segment under Accounting Principles Board ("APB") Opinion No. 30. Accordingly, results of the operation have been classified as discontinued, and prior periods have been restated. For business segment reporting purposes, Kolar's business results were previously classified as the "Machining" segment.

Net sales and income (loss) from the discontinued operations are as follows:

For the nine months ended September 30,	2002	2001
Net sales	\$ ---	\$6,840,056
Pretax loss from discontinued operations	\$ ---	\$2,505,481
Income tax benefit	---	934,000
Net loss from discontinued operations	\$ ---	\$1,571,481

For the three months ended September 30,	2002	2001
Net sales	\$ ---	\$2,624,512
Pretax loss from discontinued operations	\$ ---	\$ 779,997
Income tax benefit	---	534,000
Net loss from discontinued operations	\$ ---	\$ 245,997

Assets of the discontinued operations are as follows:

September 30, 2002	
Property, plant and equipment, net	\$ 280,676

5. DEBT: Debt consists of the following:

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Note payable - bank (a)	\$2,431,571
Note payable - bank (b)	259,077
Note payable - bank (c)	624,484
Note payable - Seller (d)	4,898,035
Capitalized lease obligations payable (e)	127,904

	\$ 8,341,071
=====	

- (a) The note, as amended in June 2002, is payable to a commercial bank in monthly installments from \$50,000 to \$100,000 through May 30, 2003, and the remaining unpaid balance at June 30, 2003, plus monthly interest at the bank's published prime rate (4.75% at September 30, 2002) plus 3.5%. This note is collateralized by substantially all of the assets of the Company. Approximately \$1,249,000 of this loan was repaid upon the sale of certain assets at auction. The note requires the Company to maintain specified levels of working capital and other financial ratios, as defined. The line of credit of \$1,700,000 previously listed separately on the balance sheet is now incorporated into this note.
- (b) The note is payable to a commercial bank in monthly installments of \$9,847, including interest at 8.3%. This note is collateralized by Kolar's land and buildings. The Company sold certain of the underlying land and buildings during 2002 at an aggregate selling price of approximately \$555,000. The Company estimates that the sale of the remaining land and buildings will yield proceeds sufficient to repay the note in full.
- (c) The note is payable to a commercial bank in monthly installments of \$20,000 through May 30, 2003, and the remaining unpaid balance at June 30, 2003, plus monthly interest at the bank's published prime rate (4.75% at September 30, 2002) plus 3.5%. This note is collateralized by substantially all of the assets of the Company and was previously included in the capitalized lease obligations payable of the Company.
- (d) In 1997, the Company acquired substantially all of the assets of Kolar Machine Inc. The acquisition was partially financed through a \$4,000,000 note payable to the seller ("Seller") of Kolar Machine Inc. The note payable to the Seller bears interest at 8% per annum. The note will mature ninety days after the maturity of the bank loans but not later than June 30, 2007. Until then, it will continue to accrue interest, which will be paid at maturity together with the principal amount, pursuant to the terms of the subordination agreement between the bank lenders and Seller. Seller is presently prohibited from receiving current payments of interest on its note. The note payable - Seller is convertible into 333,334 shares of the Company's common stock at any time prior to the maturity of the note. The note is subordinated to the notes payable - bank.
- (e) The Company leases equipment under a capital lease which expires October 24, 2003. The leases require a monthly payment of \$10,227.02, including interest at 9.35%. As of September 30, 2002, proceeds of approximately \$674,000

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were received upon the sale of certain leased equipment, which amount was remitted to the owners of the equipment.

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CPI AEROSTRUCTURES, INC.
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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The statements discussed in this Report include forward looking statements that involve risks and uncertainties, including the timely delivery and acceptance of the Company's products and the other risks detailed from time to time in the Company's reports filed with the Securities and Exchange Commission.

As a result of the Company's decision to close its Kolar, Inc. facilities and liquidate Kolar's assets, Kolar's operations have been classified as discontinued, and the following discussion does not take Kolar into effect unless otherwise stated.

Critical Accounting Policies

Revenue Recognition

The Company recognized revenue from long-term contracts over the contractual period under the percentage-of-completion ("POC") method of accounting. Under this method of accounting, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at the completion of the contract. Recognized revenues that will not be billed under the terms of the contract until a later date are recorded as an asset captioned "Costs and estimated earnings in excess of billings on uncompleted contracts." Contracts where billings to date have exceeded recognized revenues are recorded as a liability captioned "Billings in excess of costs and estimated earnings on uncompleted contracts." Changes to the original estimates may be required during the life of the contract. Estimates are reviewed monthly and the effect of any change in the estimated gross margin percentage for a contract is reflected in cost of sales in the period the change becomes known. The use of the POC method of accounting involves considerable use of estimates in determining revenues, costs and profits and in assigning the amounts to accounting periods. The Company continually evaluates all of the issues related to the assumptions, risks and uncertainties inherent with the application of the POC method of accounting. In all other cases, the Company recognizes revenue at the time products are shipped and title passes to the customer or as services are performed.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates

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expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance that represents federal and state operating loss carryforwards for which utilization is uncertain. Management judgment is required in determining the Company's provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the Company's net deferred tax assets. The valuation allowance would need to be adjusted in the event future taxable income is materially different than amounts estimated. We have recorded valuation allowances of \$4,487,000 and \$2,074,000 against our deferred tax assets at September 30, 2002 and December 31, 2001, respectively.

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CPI AEROSTRUCTURES, INC.
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Management's Discussion and Analysis of Financial Condition and Results
of Operations

Material Changes in Results of Operations

The Company's revenue for the nine months ended September 30, 2002 was \$17,988,748 compared to \$10,631,958 for the same period last year, representing an increase of \$7,356,790 or 69%. This increase is largely attributable to an increase in the number of government contracts.

Gross profit increased by \$1,822,891 or 50%, from the nine months ended September 30, 2001 to the nine months ended September 30, 2002. Gross profit as a percentage of revenue for the nine months ended September 30, 2002 was 30% compared to 34% for the same period last year.

Selling, general, and administrative expenses increased by \$655,034, or 57%, from the nine months ended September 30, 2001 to the nine months ended September 30, 2002. This increase is largely due to legal fees associated with restructuring existing debt. Interest expense increased \$192,258 for the nine months ended September 30, 2002, compared to the same period last year. The increase in interest expense is from Kolar's debt shown for the previous year in income (loss) from operations of discontinued segment.

The resulting income before operations of discontinued segment for the nine months ended September 30, 2002, was \$3,638,215 compared to income before operations of discontinued segment of \$ 2,470,358 for the same period last year. The 2002 results include income taxes computed at an effective tax rate of 15.9% because the Company estimates that it will utilize \$800,000 of its net operating loss carry-forward. Basic income per share was \$1.03 on 2,700,785 average shares outstanding, compared to a loss of \$.06 per share on 2,652,355 average shares outstanding for fiscal 2001. Diluted earnings per share was \$.89 on 3,136,626 weighted average shares outstanding compared to a loss of \$.06 per share in 2001 on 2,652,355 weighted average shares outstanding.

The Company's revenue for the three months ended September 30, 2002 was \$7,088,614 compared to \$4,549,873 for the same period last year, representing an increase of \$2,538,741 or 56%.

Gross profit increased by \$525,623 or 31%, from the three months ended September 30, 2001 to the three months ended September 30, 2002. Gross profit as a percentage of revenue for the three months ended September 30, 2002 was 31% compared to 37% for the same period last year.

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Selling, general, and administrative expenses increased by \$468,507, or 152%, from the three months ended September 30, 2001 to the three months ended September 30, 2002. Interest expense increased \$140,608 for the three months ended September 30, 2002, compared to the same period last year.

The resulting income before operations of discontinued segment for the three months ended September 30, 2002, was \$1,433,817 compared to income before operations of discontinued segment of \$1,376,699 for the same period last year. The 2002 results include no provision for income taxes as the Company estimates that it will utilize \$500,000 of its net operating loss carry-forward. Basic income per share was \$.46 on 2,734,898 average shares outstanding, compared to income of \$.21 per share on 2,657,046 average shares outstanding for fiscal 2001. Diluted earnings per share was \$.38 on 3,299,098 weighted average shares outstanding compared to income of \$.21 per share in 2001 on 2,690,380 weighted average shares outstanding.

The current provision for income taxes was derived by applying statutory federal tax rates to the income from continuing operations and offsetting the resulting charge by the tax benefit associated with that portion of net operating losses that the Company deems utilizable. The Company has operating loss carryforwards of approximately \$8,035,000 and \$5,672,000 for federal and state income tax purposes, respectively, expiring through 2021.

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CPI AEROSTRUCTURES, INC.
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Management's Discussion and Analysis of Financial Condition and Results
of Operations

Material Changes in Financial Condition

At September 30, 2002 the Company had working capital of \$5,164,339 compared to a deficiency of \$2,807,657 at December 31, 2001, an increase of \$7,971,996. This increase is attributable to a reclassification of approximately \$4,900,000 of debt to non-current liabilities and an increase in costs and estimated earnings in excess of billings on uncompleted contracts of approximately \$3,250,000.

A large portion of the Company's cash has been used for costs incurred on commercial and the numerous government contracts that are in process and which do not allow progress payments. These costs are components of "Costs and estimated earnings in excess of billings on uncompleted contracts" and represent the aggregate costs and related earnings for uncompleted contracts for which the customer has not yet been billed. These costs and earnings are recovered upon shipment of products and presentation of billings in accordance with contract terms.

Net cash used in operating activities for the nine months ended September 30, 2002 was \$74,762. This decrease in cash was primarily the result of cash being used for new contracts of \$3,247,461.

Liquidity and Capital Resources

On June 25, 2002, the Company and Kolar, Inc. ("Kolar", and together with the Company, the "Borrowers") signed the Amended and Restated Credit Agreement with the several banks and other financing institutions or entities from time to time parties thereto and JPMorgan Chase Bank, as Administrative Agent ("JPMorgan"),

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restructuring their original debt facilities with JPMorgan (formerly known as Chase Manhattan Bank) and GE Capital CFE, Inc. (as assignee of Mellon Bank, N.A.).

Under the Amended and Restated Credit Agreement, one tranche ("Tranche A") of the senior bank loans will be amortized at an amount beginning at \$50,000 per month, increasing to \$100,000 during the term, with a final payment of the balance due on June 30, 2003. The aggregate principal amount of the Tranche A loan currently outstanding \$2,431,571.

A second tranche ("Tranche B"), the amount representing the remaining mortgage debt from the Kolar properties, will be repaid in monthly installments accordance with the terms of the original Credit Agreement, with a final payment on September 30, 2007. The aggregate remaining principal amount of the Tranche B loan is \$259,077.

A third tranche ("Tranche C"), the amount representing the net deficiency arising from the sale of certain equipment previously leased to Kolar by JPMorgan Leasing, Inc. (formerly Chase Equipment Leasing, Inc.), an affiliate of JPMorgan, will be amortized at \$20,000 per month, with a final payment on June 30, 2003. The aggregate remaining principal amount of the Tranche C loan is \$624,484.

In 1997, the Borrowers entered into a purchase money note agreement with Kolar Machine, Inc. (now known as Ralok, Inc. ("Ralok")) in the principal amount of \$4,000,000. The note issued was originally due on June 30, 2002 and is secured by a security interest on all of the assets of the Borrowers that is subordinate to the security interest of the bank lenders. The note is currently convertible, at Ralok's option, into 333,334 shares of Common Stock of the Company. Pursuant to the terms of the subordination agreement between the bank lenders and Ralok, Ralok was prohibited from receiving current payments of interest on its note. As amended, the subordinated note issued in connection with the Kolar acquisition will mature ninety days after the maturity of the bank loans but not later than September 30, 2007. Until then, it will continue to accrue interest, which will be compounded monthly and paid at maturity together with the principal amount. As of September 30, 2002, \$996,650 of unpaid interest has accrued.

The Company is currently exploring alternative financing for its existing debt which will become due on June 30, 2003, including bank refinancing, public and/or private placements of equity, other forms of debt, and a combination of these methods. The Company believes one or more of these options will be available to it.

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CPI AEROSTRUCTURES, INC.
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Management's Discussion and Analysis of Financial Condition and Results
of Operations

The table below summarizes information about our contractual obligations as of September 30, 2002 and the effects these obligations are expected to have on our liquidity and cash flow in the future years.

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Contractual Obligations	Payments Due by Period				
	Total (\$)	Less than 1 year (\$)	1-3 years (\$)	4 - 5 years (\$)	After 5 years (\$)
Long-Term Debt	4,898,035	0	0	4,898,035	0
Capital Lease Obligations	127,904	117,756	10,148	0	0
Operating Leases	40,728	40,728	0	0	0
Total Contractual Cash Obligations	5,066,667	158,484	10,148	4,898,035	0

ITEM 3. Controls and Procedures

Within the 90-day period prior to the filing of this report, an evaluation of the effectiveness of the Company's disclosure controls and procedures was made under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of their evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Part II - Other Information

ITEM 2. Changes In Securities and Use of Proceeds

(c) Recent Sales of Unregistered Securities

During the three months ended September 30, 2002, the Company made the following sales of unregistered securities:

Date of Sale	Title of Security	Number Sold Or Forfeited	Consideration Received and Description of Underwriting or Other Discounts to Market Price Afforded to Purchasers	Exemption from Registration Claimed
09/09/02	Common Stock	1,000	Common Stock issued upon the exercise of options; \$2,870 cash consideration received by the Company	4(2)

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CPI AEROSTRUCTURES, INC.
AND SUBSIDIARY

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

- a) An Annual Meeting of Shareholders was held on September 18, 2002 ("Annual Meeting")
- b) One matter was voted upon at the Annual Meeting, as follows:
 - 1) Kenneth McSweeney was re-elected to serve as director for the ensuing three years and until his successor is elected and qualified with 2,250,490 votes cast and 31,831 votes withholding authority for his re-election. Arthur August, Edward J. Fred and Walter Paulick's term of offices as directors continued after the meeting.

ITEM 6. Exhibits and Reports on Form 8-K

- a) No Exhibits
- b) During the three months ended September 30, 2002, no Current

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Reports on Form 8-K were filed by the Company.

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CPI AEROSTRUCTURES, INC.
AND SUBSIDIARY

SIGNATURES

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

CPI AEROSTRUCTURES, INC.

Dated: November 13, 2002

By: /s/ Arthur August

Arthur August
Chairman and Chief Executive
Officer (Principal Executive Officer)

Dated: November 13, 2002

By: /s/ Edward J. Fred

Edward J. Fred
President, Chief Financial Officer
and Secretary (Principal Financial
Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CPI Aerostructures, Inc. (the "Company") on Form 10-QSB for the period ended September 30, 2002 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the

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Company.

Dated: November 13, 2002

By: /s/ Arthur August

Arthur August
Chairman and Chief Executive
Officer (Principal Executive Officer)

Dated: November 13, 2002

By: /s/ Edward J. Fred

Edward J. Fred
President, Chief Financial Officer
and Secretary (Principal Financial
Officer)

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CPI AEROSTRUCTURES, INC.
AND SUBSIDIARY

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14 UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Arthur August, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of CPI Aerostructures, Inc.;
2. based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. the registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

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- (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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CPI AEROSTRUCTURES, INC.
AND SUBSIDIARY

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6. the registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 13, 2002

By: /s/ Arthur August

Arthur August
Chairman and Chief Executive
Officer (Principal Executive Officer)

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CPI AEROSTRUCTURES, INC.
AND SUBSIDIARY

CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14 UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Edward J. Fred, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of CPI Aerostructures, Inc.;
- 2. based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to

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the period covered by this quarterly report;

3. based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. the registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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CPI AEROSTRUCTURES, INC.
AND SUBSIDIARY

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6. the registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 13, 2002

By: /s/ Edward J. Fred

Edward J. Fred
President, Chief Financial Officer

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and Secretary (Principal Financial
Officer)