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CPI AEROSTRUCTURES INC  
Form 10QSB/A  
December 17, 2002

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB/A

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  No

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The number of common shares, par value \$.001 per share, outstanding was 2,785,668 as of December 13, 2002.

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AND SUBSIDIARY

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CPI AEROSTRUCTURES, INC.  
AND SUBSIDIARY

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

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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 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, except for Note 5,  
provision (d), as to which the date is  
December 13, 2002

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CPI AEROSTRUCTURES, INC.  
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

-----

September  
2002  
(Unaudite

ASSETS

Current Assets:

Cash

\$ 121,

Accounts receivable

2,852,

Costs and estimated earnings in excess of billings on uncompleted  
contracts

10,214,

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|   |            |
|---|------------|
| Deferred Income Taxes, net of valuation allowance   | 253,       |
| Prepaid expenses and other current assets   | 23,        |
| Assets held for sale - discontinued operations  | 280,       |
| -----   |            |
| Total current assets  | 13,745,    |
| Property, Plant and Equipment, net  | 110,       |
| Deferred Income Taxes, net of valuation allowance   | --         |
| Other Assets  | 179,       |
| -----   |            |
| Total Assets  | \$ 14,035, |
| =====   |            |
| LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)   |            |
| Current Liabilities:  |            |
| Accounts payable  | \$ 4,985,  |
| Accrued expenses  | 152,       |
| Line of credit  | --         |
| Debt  | 8,341,     |
| Deferred income taxes   | --         |
| -----   |            |
| Total current liabilities   | 13,479,    |
| -----   |            |
| Commitments and contingencies   |            |
| Shareholders' Equity (Deficiency):  |            |
| Common shares- \$.001 par value; authorized 50,000,000 shares, issued and outstanding 2,735,670 and 2,657,046; preferred shares, authorized 5,000,000 shares, none issued and outstanding | 2,         |
| Additional paid - in capital  | 12,483,    |
| Accumulated deficit   | (11,929,   |
| -----   |            |
| Shareholders' equity (deficiency):  | 555,       |
| -----   |            |
| Total Liabilities and Shareholders' Equity (Deficiency)   | \$ 14,035, |
| =====   |            |

See Notes to Consolidated Financial Statements

CPI AEROSTRUCTURES, INC.  
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CONSOLIDATED STATEMENTS OF OPERATIONS

|         |                            |             |                |
|---------|----------------------------|-------------|----------------|
|         | For the Three Months Ended | Sept. 30,   | For the Nine M |
|         | 2002                       | 2001        | 2              |
|         | (Unaudited)                |             |                |
| -----   |                            |             |                |
| Revenue | \$7,088,614                | \$4,549,873 | \$17,          |

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|   |             |            |      |
|---|-------------|------------|------|
| Cost of sales   | 4,878,932   | 2,865,814  | 12,  |
| -----   |             |            |      |
| Gross profit  | 2,209,682   | 1,684,059  | 5,   |
| Selling, general and administrative expenses                        | 775,867     | 307,360    | 1,   |
| -----   |             |            |      |
| Income from operations  | 1,433,815   | 1,376,699  | 3,   |
| -----   |             |            |      |
| Other (income) expense:   |             |            |      |
| Interest/other (income) expense                                     | 618         | (821)      |      |
| Interest expense  | 185,997     | 45,389     |      |
| -----   |             |            |      |
| Total other expenses, net   | 186,615     | 44,568     |      |
| -----   |             |            |      |
| Income from continuing operations before provision for income taxes | 1,247,200   | 1,332,131  | 3,   |
| Provision for income taxes  | 1,000       | (534,000)  | (    |
| -----   |             |            |      |
| Income before operations of discontinued segment                    | 1,248,200   | 798,131    | 2,   |
| Loss from operations of discontinued segment                        | -----       | (245,997)  |      |
| -----   |             |            |      |
| Net income (loss)   | \$1,248,200 | \$ 552,134 | \$2, |
| =====   |             |            |      |
| 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,   |
| Diluted   | 3,299,098   | 2,690,380  | 3,   |
| -----   |             |            |      |

See Notes to Consolidated Financial Statements

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CPI AEROSTRUCTURES, INC.  
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ONSOLIDATED 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 |
| =====   |          |
| Supplemental disclosures of cash flow information: Cash paid during the period for: |          |
| Interest  | \$ 167,0 |
| =====   |          |
| 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.<br>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   |
| -----                                   |                    |              |              |

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|   |              |              |              |
|---|--------------|--------------|--------------|
|   | 26,223,842   | 18,965,608   | 45,189,450   |
| Less billings to date   | 18,063,324   | 16,911,280   | 34,974,604   |
| -----   |              |              |              |
| Costs and estimated earnings in excess of billings on uncompleted contracts | \$ 8,160,518 | \$ 2,054,328 | \$10,214,846 |
| =====   |              |              |              |

December 31, 2001

|   | U.S.<br>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.



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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 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:

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

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

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

5. DEBT: Debt consists of the following:

|   |              |
|---|--------------|
| 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. As amended, the note payable to Seller will mature on September 30, 2003, unless the maturity date of the bank loans is extended, in which case the note will mature 90 days

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after the extended maturity date of the bank loans, but not later than September 30, 2007. The note payable to the Seller bears interest at 8% per annum. The note matures on September 30, 2003. 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 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

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#### 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

We recognize revenue from our contracts over the contractual period under the percentage-of-completion (POC) method of accounting. Under the POC 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

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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. We continually evaluate all of the issues related to the assumptions, risks and uncertainties inherent with the application of the POC method of accounting.

### Income Taxes

We account 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 expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We record a valuation allowance that represents federal and state operating loss carryforwards for which utilization is uncertain. Management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against our 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.

### Results of Operations

Revenue. Our 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%.

Gross profit. Gross profit for the nine months ended September 30, 2002 was \$5,438,856, compared to \$3,615,965 for the same period last year, an increase of \$1,822,891 or 50%. 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 due primarily to a less profitable sales mix.

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Selling, general and administrative expenses. Selling, general, and administrative expenses for the nine months ended September 30, 2002 were \$1,800,641, compared to \$1,145,607 for the same period last year, an increase of \$655,034, or 57%. This increase is largely due to legal fees associated with the discontinuance of Kolar's operations and restructuring our existing debt. Interest expense for the nine months ended September 30, 2002 was \$318,965, compared to \$126,707 for the same period last year, an increase of \$192,258, or 151%. The increase in interest expense results from the fact that interest for the previous year was included in Kolar's income (loss) from operations prior to discontinuance of Kolar's operations.

Income from continuing operations. Income from continuing operations for the nine months ended September 30, 2002 was \$3,638,215 compared to \$2,470,358 from continuing operations for the same period last year, an increase of \$1,167,857, or 47%. The 2002 results include income taxes computed at an effective tax rate

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of 15.9% because we estimate that we will utilize \$800,000 of our net operating loss carry-forward. Basic income per share was \$1.03 on an average of 2,700,785 shares outstanding, compared to \$.53 per share from continuing operations on an average of 2,652,355 shares outstanding for the nine months ended September 30, 2001.

### Liquidity and Capital Resources

#### General

At September 30, 2002 we had working capital of \$266,304 compared to a deficiency of \$2,807,657 at December 31, 2001, an increase of \$3,073,961. This increase is primarily attributable to an increase in costs and estimated earnings in excess of billings on uncompleted contracts of approximately \$3,250,000.

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.

#### Financing Arrangements

At December 31, 2001, Kolar was in default under its debt facilities with JPMorgan Chase Bank (formerly known as Chase Manhattan Bank) and GE Capital CFE, Inc. (as assignee of Mellon Bank, N.A.) and its convertible note with Ralok, Inc. The debt was guaranteed by CPI and secured by all of CPI and Kolar's assets. In December 2001, we discontinued Kolar's operations and began the process of liquidating its assets. The proceeds from the auction of Kolar's machinery and equipment and the sale of its real estate are being used to pay a portion of the debt owed to the bank lenders. The proceeds of the sales, however, are not sufficient to provide for payment in full of all of Kolar's bank debt. In 2002, we issued an aggregate of 70,000 of our common shares to Chemical Investments, Inc. (as designee of JPMorgan Chase) and 20,000 common shares to GE Capital CFE, Inc. (as designee of Mellon Bank, N.A.) as consideration for their agreement to extend the due date of the loan and for their services in connection with amending the loan documents.

In June 2002, CPI restructured the debt with the banks and Ralok. As restructured, we currently owe the banks approximately \$2,866,055 in principal amount bearing interest at the prime rate plus 3.5% per annum, with a final payment due on June 30, 2003, and \$250,473 in principal amount bearing interest at the rate of 8.3% per annum, with a final payment due on September 30, 2007. Additionally, we agreed that if any portion of the loans currently held by GECapital CFE, Inc. in the principal amount of approximately \$1,012,926 are not repaid or refinanced in their entirety by the dates set forth below, we would pay loan fees in the following amounts:

- o On or before September 30, 2002, a fee of \$25,000;
- o on or before December 31, 2002, a fee of \$50,000;
- o on or before March 31, 2003, a fee of \$100,000; and
- o on or before June 30, 2003, a fee of \$150,000.

We paid the \$25,000 fee on September 30, 2002.

We also amended the \$4,000,000 principal amount convertible promissory note held by Ralok, which bears interest at a rate of 8% per annum and which was originally due on June 30, 2002. As amended, the note will mature on September 30, 2003, unless the maturity date of the bank loans is extended, in which case

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the Ralok note will mature 90 days after the extended maturity date of the bank loans, but not later than September 30, 2007. The Ralok note is secured by a security interest in all of our assets and that is subordinate to the security interest of the bank lenders. The principal amount of the note is currently convertible, at Ralok's option, into 333,334 of our common shares. Pursuant to the terms of the subordination agreement between the bank lenders and Ralok, Ralok is prohibited from receiving current payments of interest on its note. Until repaid, it will continue to accrue interest, which will be compounded monthly and paid at maturity together with the principal amount. As of November 30, 2002, there was \$1,063,494 of accrued interest on the note. In November 2002, we entered into an agreement with Ralok which grants us the right to purchase the Ralok note, including all principal and accrued interest, at any time until April 30, 2003, for an aggregate purchase price of \$2.7 million.

We filed a registration statement today with the Securities and Exchange Commission in connection with a proposed public offering of 1,600,000 common shares. The offering will be managed by EarlyBirdCapital, Inc. There are no selling shareholders included in this registration. We intend to use the net proceeds of the offering to repay the bank loans and purchase the Ralok note. There can be no assurance that we will raise enough proceeds in this offering to repay our debt, and if we do not, we may not be able to make additional arrangements to restructure the terms of the debt or to find replacement capital.

The registration statement filed with the Securities and Exchange Commission has not yet become effective. The securities covered by the registration statement may not be sold, nor may offers to buy such securities be accepted prior to the time the registration statement becomes effective. This Form 10-QSB/A does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities law of any such state.

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CPI AEROSTRUCTURES, INC.  
AND SUBSIDIARY

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.

| Contractual Obligations | Payments Due By Period |                  |           |
|-------------------------|------------------------|------------------|-----------|
|                         | Total                  | Less than 1 year | 1-3 years |

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|                                    |           |           |         |
|------------------------------------|-----------|-----------|---------|
| Short-Term Debt                    | 8,213,167 | 8,006,046 | 117,739 |
| Capital Lease Obligations          | 127,904   | 127,904   | 0       |
| Operating Leases                   | 0         | 0         | 0       |
| Total Contractual Cash Obligations | 8,341,071 | 8,133,950 | 117,739 |

Inflation

Inflation has historically not had a material effect on our operations.

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 the 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.

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

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following sales of unregistered securities:

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



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

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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: December 13, 2002

By: /s/ Arthur August  
-----

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

Dated: December 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/A 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 Company.

Dated: December 13, 2002

/s/ Arthur August  
-----

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

Dated: December 13, 2002

/s/ Edward J. Fred  
-----

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

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/A 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
  - (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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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: December 13, 2002

/s/ Arthur August  
-----

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

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/A 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 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

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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

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: December 13, 2002

/s/ Edward J. Fred

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