CPI AERO

2013 ANNUAL REPORT

FOCUSED *FORWARD*

ABOUT THE COMPANY

CPI Aerostructures, Inc. ("CPI Aero") is engaged in the contract production of structural aircraft parts principally for the U.S. Air Force and other branches of the U.S. armed forces, either as a prime contractor or as a subcontractor for other defense prime contractors. CPI Aero also acts as a subcontractor to prime aircraft manufacturers in the production of commercial aircraft parts. CPI has over 30 years of experience as a contractor, completing over 2,500 contracts to date. Our competitive advantage lies in our ability to offer large contractor capabilities with the flexibility and responsiveness of a small company, while staying competitive in cost and delivering superior quality products.

2013 HIGHLIGHTS

- Our total backlog at December 31, 2013 increased to **$431.4 million** as compared to $391.9 million at December 31, 2012
- Record new business awards from all customers totaling approximately **$122.3 million**
- Positive cash flow from operations of approximately **$3.3 million**

OUR *MISSION*

Our mission is to exceed the expectations of our customers by manufacturing the highest quality aerospace structural products while providing a low risk, collaborative and completely satisfying customer experience. As a result, we will be able to grow our business with existing customers, earn the trust of new customers, generate sustainable cash flow, improve the lives of our employees and their families and increase the value of the corporation.

OUR *VALUES*

CUSTOMER SERVICE	Create the best possible buying experience for our customers
PRIDE	In our work, the quality of our products and in our company
INTEGRITY	Do the right thing at all times and in all circumstances
ADAPTABILITY	React efficiently and quickly to succeed in changing situations
EMPLOYEE INVOLVEMENT	In the decisions that impact how we perform our jobs
RESPECT	For each other, our customers and suppliers
OWNERSHIP	Hold ourselves accountable for the success of the company

TO OUR SHAREHOLDERS:

Let me begin by stating how proud I am to be addressing you as CPI Aero's new President and Chief Executive Officer. Since joining CPI Aero in 2003, I have had the privilege of working with an incredibly talented team of professionals who are committed to our shared vision to make CPI Aero the most trusted manufacturer of aerostructure in our customers' supply chain.

In this letter I will address our performance in 2013, our expectations for 2014 and our outlook over the longer-term. But first, as I begin my new role as your CEO, I feel it is important for me to define our mission and to provide insight into what your company's management will prioritize, what we will focus on and what we will hold ourselves accountable to achieve. I also want to share with you our corporate values, which are listed above, and how your company and the people within it, at every level, will conduct themselves as we perform the work required to take CPI Aero to the next level.

A Look Back at 2013

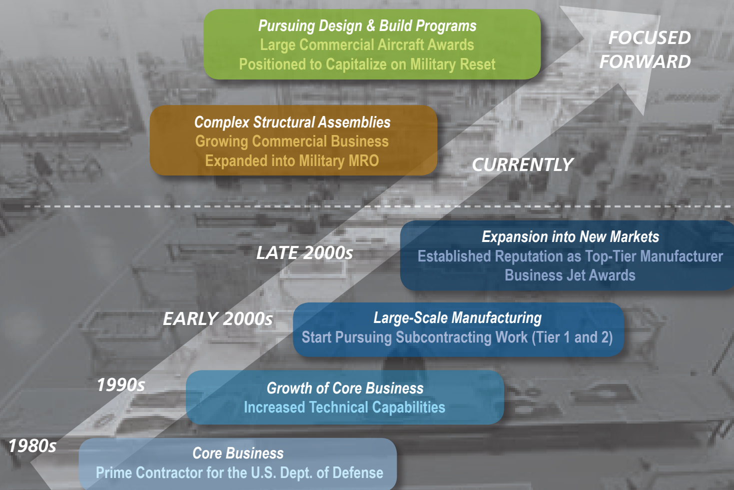
Unquestionably, 2013 was a challenging year. Like many of our peers and customers with exposure to defense programs, our top and bottom lines felt the impact of budget cuts and the uncertainty created by sequestration. Revenue was $83.0 million, compared to $89.3 million in 2012, due to lower revenue from prime government contracts and subcontracts, offset by slightly higher revenues generated from commercial subcontracts. Gross margin was affected primarily by adjustments to our long-term programs with Spirit, Northrop Grumman and Boeing, and technical challenges related to the final assembly phase of the first pod system we are building for United Technologies Aerospace Systems. As a result, net income was $7.7 million or $0.91 per diluted share, compared to $11.0 million or $1.40 per diluted share in 2012.

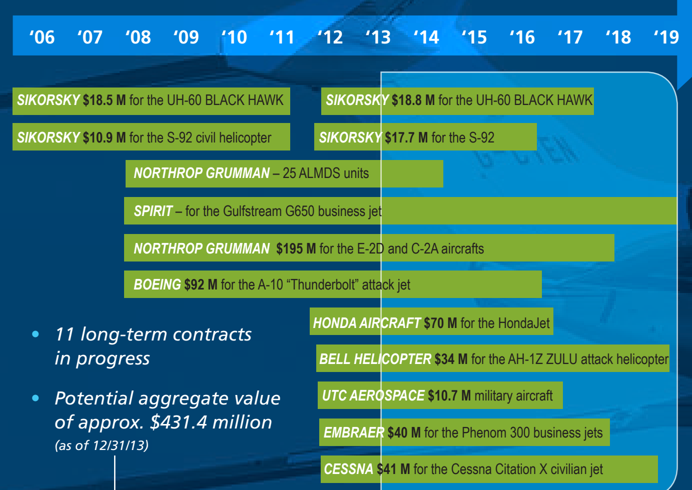
Despite lower revenues, we had greater product shipments than in 2012, or any other year, as many of our programs transitioned from development to the production stage. Increased shipments, combined with less spending for startup costs associated with new contracts and a decline in non-recurring expenses on our maturing programs, resulted in positive cash flow from operations of approximately $3.3 million.

Despite the challenges, 2013 was a year of many achievements to be proud of that set us up well for the future.

Record New Business Awards and Large Contract Backlog Provide the Foundation for Continued Growth

In 2013 we received record new business awards from all customers totaling approximately $122.3 million, which surpassed the previous record of $83.6 million established in 2011 and compares to $81.6 million in awards received in 2012. New orders for our defense programs were especially strong as the haze surrounding defense budgets and sequestration lifted. In total, our defense programs received orders of nearly $96 million in 2013 as compared to $75 million in 2012. Delivery dates for our products used on the E-2D Advanced Hawkeye (Northrop Grumman), the A-10 Warthog (Boeing), the AH-1Z Zulu (Bell) and the UH-60 BLACK HAWK (Sikorsky) now extend into late 2015 and in some cases into mid-2016. Demand for our products used in commercial markets was increased by over 400% compared to 2012 as many of our business jet programs moved from development to production. In 2013, new orders in our commercial segment were $26 million compared to $6.5 million in 2012. Orders from Spirit AeroSystems for the Gulfstream G650 wing leading edges, from Cessna Aircraft for Citation X wing spar assemblies, and from Embraer for Phenom





300 engine inlet assemblies were key components of the year-over-year increase in new orders for commercial programs.

Our total backlog at December 31, 2013 increased to $431.4 million as compared to $391.9 million at December 31, 2012. This increase was attributable to increase in backlog for commercial programs and for military programs. Funded backlog at December 31, 2013 increased to $110.4 million, from $52.3 million at December 31, 2012, which also was the result of increases of funded backlog for both military and commercial programs. We believe that due to our large funded backlog, the diversified and impressive list of customers for military and commercial programs, CPI Aero is well positioned to resume its growth in the coming years.

2014 - A Year of Transition, Top Line Growth but Pressure on Margins

I would characterize 2014 as an inflection year. We expect a flat to slight decline in defense revenue to be more than offset by an increase in commercial revenue so our top line is projected to be slightly higher than in 2013. The commercial programs we have started over the past several years are now ramping up and will transition to full rate production over the course of the next 6 to 12 months. HondaJet, Cessna Citation X and Embraer Phenom 300 business jet programs should generate a higher percentage of total revenue in 2014 as compared to previous years. This is great news for the long-term performance of CPI Aero. However, we do expect these new programs to provide some headwind to gross profit margins in 2014. As these newer programs mature into 2015 and beyond, we expect margins for these programs to expand so we view 2014 as the low point in gross profit margin. We will continue to prioritize operational excellence and make the appropriate investments to improve the efficiency within the manufacturing area to maximize profit on our emerging commercial and business jet programs. Further, we continue to look at ways to lower our administrative costs to minimize the impact of margin fade in 2014 to our bottom line.

As a result of increased demand in our commercial products, we expect 2014 to be our best year ever in terms of product deliveries, surpassing our record year in 2013 by about 10%. We expect to again generate positive cash flow from operations as we did in 2013; however, we anticipate making investments in new program starts that will offset the cash flow generated from existing production lines so that cash flow from operations for the full year is expected to be less than in 2013.

Longer-Term Outlook

Looking beyond this year to 2015, we see continued strength in production rates of our business jet programs, steady production on our more mature programs and new programs that combined could produce the highest revenue in our history. We also project that gross profit margin should be higher than 2014 due to increased production rates and lower unit costs.

Defense is Still Important

As is the case for many of our peers, our business outlook has been affected by the military budget cuts and projected defense spending in the 2015 and beyond timeframe. Although there is debate on-going about the ultimate funding level, it is clear that the amount the US spends on the national security of our country will continue to decline. That said, the defense market has been and will continue to be an important part of our business. Despite the recent cuts, this is an incredibly large market with great potential in certain segments. It is a matter of targeting the right programs and we feel that we have done that well in the past and will continue to do so in the future. For example, we see growth in our near-term horizon for our military helicopter and our Intelligence, Surveillance, and Reconnaissance (ISR) pod business segments. In general, the national security platforms for which we provide product are well supported in the DOD's budget plans. For example, Northrop Grumman and the US Navy are negotiating a multi-year program to acquire up to 25 E-2Ds, Sikorsky Aircraft is in the middle of a five year program for BLACK HAWKS and they are working with DOD to negotiate an additional five year program after the current one ends. In some instances, the end market is foreign military sales, an increasingly important market to US manufacturers, such as the DB-110 Reconnaissance Pod which we produce for United Technologies Aerospace Systems (UTAS). Additionally, we have pending pursuits for work on other high-priority weapons systems such as the F-16, F-35 and CH-53 and we continue to see expanding demand from Sikorsky for our Maintenance, Repair, and Overhaul services.

That said, over the last few years we have increased our efforts to diversify our customer base and programs and have been successful in getting contracts for commercial programs. As a result of these efforts, approximately 32% of our total 2013 revenue was generated from commercial programs. Going forward, our commercial programs are anticipated to generate a higher percentage of total revenue and our intention is to have about 40% of our revenue derived from commercial aircraft by the end of 2015.

Firm, funded contracts provide
LONG-TERM REVENUE VISIBILITY AND OPERATING LEVERAGE

Douglas McCrosson
Chief Executive Officer and President

Eric Rosenfeld
Chairman of the Board of Directors

Expanding Existing and Acquiring New Capabilities is Vital to CPI Aero's Future

Currently, all of our non-military programs are within business jets and civilian helicopters. We have developed an excellent reputation among business jet manufacturers and we are getting opportunities to bid for work on many current and future business jet aircraft including offerings from Cessna, Gulfstream, Embraer, and Bombardier.

For some time, we have been telling our shareholders that we are working hard to capture business on a large commercial aircraft. This, of course, is the next logical progression in our growth strategy. While we are disappointed in how long it is taking to gain entry into this market, we are confident that entry into the large commercial airliner market is a question of "when" and not "if." We have learned a lot in the process and we have a better understanding of what is needed for us to gain a foothold in this crucial market.

The aviation industry has dramatically changed over the last ten years. OEMs and Tier 1 airframe suppliers have increasingly transferred responsibilities to their supply chain partners in order to reduce costs of components, development and production. Often, as in the case of production outsourcing, we are competing against the internal production centers of our customers and, therefore we need to be as capable as our customers. Our ability to win business depends on our technical capabilities, the quality of our product, competitiveness of our pricing, financial resources available to us and the ability to solve customer problems in a timely manner. Over the years, we have expanded our manufacturing capabilities and are currently providing our clients with more complex structural assemblies than ever before, but we recognize the need to continuously improve and expand our capabilities.

Our business plan calls for investments in new manufacturing technologies and production floor software that will increase output, improve quality and lower production costs compared to our current methods. We have completed a major overhaul of our ERP system that is helping us be more efficient in our resource planning, purchasing and order management processes. New and expanded capabilities will enable us to successfully compete on a global scale with our peers and continuously grow our market share. We have increased our workforce and skills training programs to make sure our workers are the best trained and best prepared in the industry.

We have submitted a number of proposals at the Tier 2 level for structure on the Airbus A380, the Airbus A350, and the Boeing 737. Our business development team is currently targeting opportunities on several commercial airliner programs at both the Tier 1 and Tier 2 levels, including the Boeing 787, 737 Max, the Airbus A320 Neo, and the next generation of Embraer E-jets. I look forward to one day sharing news of our success in some of these pursuits.

Focused Forward

I have had a front row seat to one of the most impressive growth stories in our industry, yet I am mindful that I have a duty to ensure that our best days are still ahead of us. Looking back it is satisfying to see how far we've come as a company, how much we have grown in our capability to provide increasingly larger and more complex assemblies, how we have created a "CPI Aero" brand that means quality and workmanship, how our people have risen to each new challenge, how our shareholders, customers and suppliers have supported us and enabled our growth. But there is much left to do. Your executive leadership team is ready. Your team of nearly 300 aerospace professionals is ready. Your Board of Directors is ready. We are focused forward.

Sincerely yours,

Douglas McCrosson
Chief Executive Officer and President

Eric Rosenfeld
Chairman of the Board of Directors

QUALITY *DIVERSITY*

CPI Aerostructures, Inc. ("CPI Aero®" or the "Company") is a U.S. manufacturer of structural aircraft parts for fixed wing aircraft and helicopters in both the commercial and defense markets. Within the global aerostructure supply chain, we are either a Tier 1 supplier to aircraft Original Equipment Manufacturers ("OEMs") or a Tier 2 subcontractor to major Tier 1 manufacturers. We also are a prime contractor to the U.S. Department of Defense, primarily the Air Force. In conjunction with our assembly operations, we provide engineering, program management, supply chain management, and Maintenance, Repair & Overhaul ("MRO") services.

Among the key programs that CPI Aero supplies are the E-2D Advanced Hawkeye surveillance aircraft, the A-10 Thunderbolt attack jet, the Gulfstream G650, the UH-60 BLACK HAWK® helicopter, the S-92® helicopter, the MH-60S mine countermeasure helicopter, AH-1Z ZULU attack helicopter, the HondaJet-Advanced Light Jet, the MH-53 and CH-53 variant helicopters, the C-5A Galaxy cargo jet, the E-3 Sentry AWACS jet, the Embraer Phenom 300 light business jet and the New Cessna Citation X.

F-16 Fighting Falcon

Gulfstream G650

Sikorsky S-92

CPI Aero technicians are **_HIGHLY SKILLED EXPERTS IN AIRCRAFT MANUFACTURING_**

We have successfully leveraged our superior reputation and

CONTINUE TO GROW OUR COMMERCIAL BUSINESS

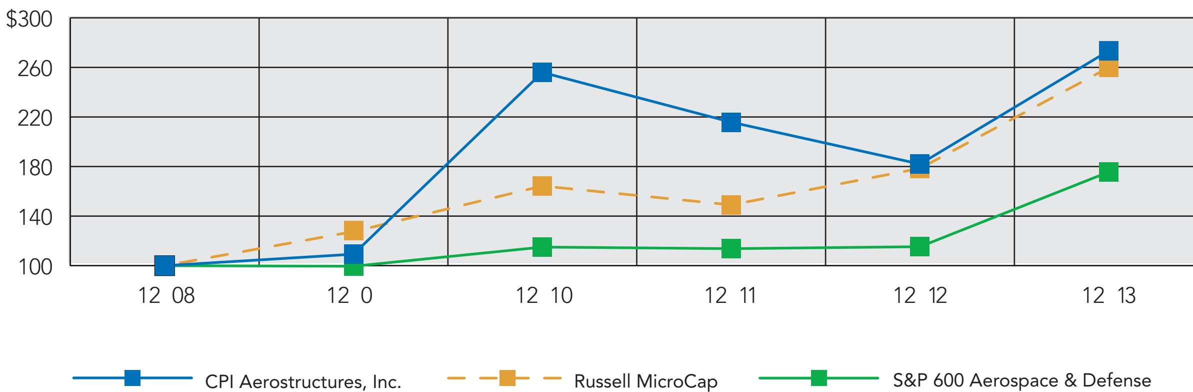
To combat the uncertainty of the government budgeting process, we have been actively pursuing commercial opportunities.

Vincent Palazzolo
Chief Financial Officer

Initially, our Company concentrated on manufacturing small assemblies and structures to prime contractors for use by the U.S. Military. Government-based contracts are subject to the national defense budget and procurement funding decisions which, accordingly, drives demand for our business in that market. Government spending and budgeting for procurement, operations and maintenance are affected not only by military action, but also the related fiscal consequences of these actions, as well as the political electoral process.

Over time our company has expanded both in size and capabilities, with exceptional growth in our operational and global supply chain program management expertise. These expansions have allowed us the ability to supply more complex assemblies and structures in support of our government-based programs as well as pursue opportunities within the commercial and business jet markets. Our capabilities have also allowed us to acquire MRO and kitting contracts.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*



*$100 invested on 12/31/08 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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SELECTED FINANCIAL DATA

Statement of Operations Data:

	Years Ended December 31,				
	2013	2012	2011	2010	2009
Revenue	$82,988,522	$ 89,272,582	$ 74,135,669	$ 43,990,784	$ 43,906,825
Cost of sales	64,555,275	65,039,969	55,325,729	37,877,960	32,597,208
Gross profit	18,433,247	24,232,613	18,809,940	6,112,824	11,309,617
Selling , general and administrative expenses	6,704,524	7,322,630	7,931,586	5,415,292	5,197,663
Income from operations	11,728,72	16,909,983	10,878,354	697,532	6,111,954
Other income (expense):					
Interest/other income	78,957	31,520	4,065	3,770	2,014
Interest expense	(653,786)	(416,373)	(343,491)	(158,406)	(252,961)
Total other income (expense), net	(574,829)	(384,853)	(339,426)	(154,636)	(250,947)
Income before provision for income taxes	11,153,894	16,525,130	10,538,928	542,896	5,861,007
Provision for income taxes	3,417,000	5,514,000	3,122,000	13,000	1,915,000
Net Income	$ 7,736,894	$11,011,130	$ 7,416,928	$ 529,896	$ 3,946,007
Income per common share – basic	$ 0.92	$ 1.43	$ 1.08	$ 0.08	$ 0.66
Income per common share – diluted	$ 0.91	$ 1.40	$ 1.04	$ 0.08	$ 0.64
Basic weighted average number of common shares outstanding	8,389,048	7,721,304	6,869,624	6,489,942	5,994,326
Diluted weighted average number of common shares outstanding	8,470,578	7,865,090	7,133,604	6,736,501	6,156,628

Balance Sheet Data:

	Years Ended December 31,				
	2013	2012	2011	2010	2009
Cash	$ 2,166,103	$ 2,709,803	$ 878,200	$ 823,376	$ 2,224,825
Costs and estimated earnings in excess of billings on uncompleted contracts	112,597,136	108,909,844	79,126,828	47,165,166	43,018,221
Total current assets	120,181,761	119,354,056	85,209,924	54,747,455	51,098,046
Total assets	124,272,594	124,883,516	89,056,573	56,457,187	52,537,131
Total current liabilities	31,741,678	39,645,331	33,023,488	10,370,285	11,979,596
Working capital	88,492,083	79,708,725	52,186,436	44,377,170	39,118,450
Short-term debt	22,370,349	24,550,564	16,987,380	1,485,008	2,836,592
Long-term debt	2,198,187	3,209,873	889,239	1,190,097	1,801,357
Shareholders' equity	88,951,519	80,594,199	54,026,207	44,670,443	38,517,514
Total liabilities and shareholders' equity	124,272,594	124,883,516	89,056,573	56,457,187	52,537,131

Forward-Looking Statements

When used in this annual report, the words or phrases "will likely result," "management expects" or "we expect," "will continue," "is anticipated," "estimated" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speaks only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The risks are included in "Item 1A: Risk Factors" and "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Form 10-K filed with SEC. We have no obligation to publicly release the result of any revisions, which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

You should read the financial information set forth below in conjunction with our financial statements and notes thereto.

Business Operations

We are engaged in the contract production of structural aircraft parts for fixed wing aircraft and helicopters in both the commercial and defense markets. Within the global aerostructure supply chain, we are either a Tier 1 supplier to aircraft OEMs or a Tier 2 subcontractor to major Tier 1 manufacturers. We also are a prime contractor to the U.S. Department of Defense, primarily the Air Force. In conjunction with our assembly operations, we provide engineering, program management, supply chain management, and MRO services.

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, revenue 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 the financial statements in the period the change becomes known. The use of the POC method of accounting involves considerable use of estimates in determining revenues and profits and in assigning the amounts to accounting periods. As a result, there can be a significant disparity between earnings (both for accounting and taxes) as reported and actual cash received by us during any reporting period. We continually evaluate all of the issues related to the assumptions, risks and uncertainties inherent with the application of the POC method of accounting; however, we cannot assure you that our estimates will be accurate. If our estimates are not accurate or a contract is terminated, we will be forced to adjust revenue in later periods. Furthermore, even if our estimates are accurate, we may have a shortfall in our cash flow and we may need to borrow money to pay taxes until the reported earnings materialize to actual cash receipts.

Results of Operations

Year Ended December 31, 2013 as Compared to the Year Ended December 31, 2012

Revenue. Revenue for the year ended December 31, 2013 was $82,988,522 compared to $89,272,582 for the same period last year, representing a decrease of $6,284,060 or 7.0%.

Overall, revenue generated from prime government contracts for the year ended December 31, 2013 was $1,373,456 compared to $6,239,286 for the year ended December 31, 2012, a decrease of $4,865,830 or 78%. This decrease is consistent with our strategy, as we transition away from being a prime government contractor.

Revenue generated from government subcontracts for the year ended December 31, 2013 was $54,837,383 compared to $56,357,371 for the year ended December 31, 2012, a decrease of $1,519,988 or 2.7%.

Revenue generated from commercial contracts was $26,777,683 for the year ended December 31, 2013 compared to $26,675,925 for the year ended December 31, 2012, an increase of $101,758 or 0.4%.

During the year ended December 31, 2013, we received approximately $122.3 million of new contract awards, which included no government prime contract awards, approximately $96.0 million of government subcontract awards and approximately $26.3 million of commercial contract awards, compared to $81.6 million of new contract awards in 2012, which included $.4 million of government prime contract awards, $74.7 million of government subcontract awards and $6.5 million of commercial contract awards.

Gross profit. Gross profit for the year ended December 31, 2013 was $18,433,247 compared to $24,232,613 for the year ended December 31, 2012, a decrease of $5,799,366. Gross profit percentage ("gross margin") for the year ended December 31, 2013 was 22.2% compared to 27.1% for the same period last year.

The gross margin percentage is lower in 2013 than in 2012 because of adjustments to our long term programs with Spirit, Northrop Grumman and Boeing as well as the C-5 Top Program. The adjustment for our Spirit program was the result of price reductions given as part of an agreement to increase the program value and to extend the life of the program until 2019. The adjustment for Northrop Grumman was a result of price reductions that were necessary upon the completion of a government pricing analysis. The adjustment for our Boeing program was a result of the negotiations for program changes described in the liquidity

section. The Boeing adjustment approximates a 200 basis point decrease in our gross margin percentage. The adjustment for the C-5 Top Program was the result of excess time and work required on C-5 wing tip panels

Additionally, the gross margin percentage was 80 basis points below our expected gross margin range of 23%-24%, because of excess engineering time required on our Pod program with UTS Aerospace.

Because of the extremely competitive market as we transition to more commercial work, the cost justification audit related to the anticipated multiyear release on the E-2D program, as well as the normal lower margins achieved during the early stages of long-term commercial programs, we expect our gross margin percentage for 2014 to be in the range of 20%-21%.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2013 were $6,704,524 compared to $7,322,630 for the year ended December 31, 2012, a decrease of $618,106, or 8.4%. This decrease was primarily due to an approximately $500,000 decrease in accrued officer's bonus as computed pursuant to the officers' employment agreements, a $266,000 decrease in accounting and legal fees, and a $213,000 decrease in payroll taxes, offset by a $326,000 increase in salaries as a result of increased headcount.

Interest expense. Interest expense for the year ended December 31, 2013 was $653,786, compared to $416,373 for 2012, an increase of $237,413 or 57%. The increase in interest expense is the result of an increase in the average amount of outstanding debt during 2013 as compared to 2012.

Income from operations. We had income from operations for the year ended December 31, 2013 of $11,728,723 compared to $16,909,983 for the year ended December 31, 2012. The decrease in income from operations is a result of the lower revenue and lower gross margin, as described above.

Year Ended December 31, 2012 as Compared to the Year Ended December 31, 2011

Revenue. Revenue for the year ended December 31, 2012 was $89,272,582 compared to $74,135,669 for the same period last year, representing an increase of $15,136,913 or 20.4%. The increase in revenue is primarily the result of work performed on our three major subcontract awards won in 2008. The Gulfstream G650, Boeing A-10 and NGC E-2D programs accounted for 17.6%, 16.7% and 25.5%, of our revenue in 2012, respectively.

Overall, revenue generated from prime government contracts for the year ended December 31, 2012 was $6,239,286 compared to $6,740,870 for the year ended December 31, 2011, a decrease of $501,585 or 7.4%. This decrease is consistent with our strategy, as we transition away from being a prime government contractor.

Revenue generated from government subcontracts for the year ended December 31, 2012 was $56,357,371 compared to $57,199,673 for the year ended December 31, 2011, a decrease of $842,302 or 1%.

Revenue generated from commercial contracts was $26,675,925 for the year ended December 31, 2012 compared to $10,195,126 for the year ended December 31, 2011, an increase of $16,480,799 or 162%. This increase is primarily the result of higher production rates on the G650, as well as revenue from new production programs such as the HondaJet advanced light business jet. We expect that commercial programs will generate a larger percentage of our overall revenue in the next year, as other new commercial programs increase production.

During the year ended December 31, 2012, we received approximately $81.6 million of new contract awards, which included approximately $.4 million of government prime contract awards, approximately $74.7 million of government subcontract awards and approximately $6.5 million of commercial contract awards, compared to $83.6 million of new contract awards in 2011, which included $11.7 million of government prime contract awards, $24.8 million of government subcontract awards and $47.1 million of commercial contract awards.

Gross profit. Gross profit for the year ended December 31, 2012 was $24,232,613 compared to $18,809,940 for the year ended December 31, 2011, an increase of $5,422,673. Gross profit percentage ("gross margin") for the year ended December 31, 2012 was 27.1% compared to 25.4% for the same period last year. The gross margin percentage was within 10 basis points of our expected gross margin range of 25%-27%.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2012 were $7,322,630 compared to $7,931,586 for the year ended December 31, 2011, a decrease of $608,956, or 7.7%. This decrease was primarily due to an approximately $423,000 decrease in board of directors fees, which is in line with our expectations, as we changed our non-employee director compensation plan, which limits the expenses related to stock options, a $242,000 decrease in moving expenses, which was a one-time expense related to our move to larger facilities in December 2011 and a $143,000 decrease in consultants, offset by a $238,000 increase in accounting and legal fees.

Interest Expense. . Interest expense for the year ended December 31, 2012 was $416,373, compared to $343,491 for 2011, an increase of $72,882 or 21%. The increase in interest expense is the result of an increase in outstanding debt during 2012 as compared to 2011.

Income from operations. We had income from operations for the year ended December 31, 2012 of $16,909,983 compared to $10,878,354 for the year ended December 31, 2011. The increase in operating income was predominately the result of the increased revenue and gross margin discussed earlier.

Business Outlook

We provided soft guidance that 2014 would be a return to top line growth over 2013 with revenue possibly reaching the 2012 results. While we did have some anticipated 2014 first quarter revenue move into the fourth quarter of 2013, we remain comfortable with this estimate. During 2014, many of our commercial programs will begin to transition toward full production. As a result, product deliveries and customer billings are expected to surpass those of 2013, our best year ever in terms of product shipments. The increased product shipments will be partially offset by investment in new programs in 2014 and therefore we are estimating cash flow from operations of approximately $1 million to $1.25 million.

Our newer commercial programs such as the HondaJet, Cessna Citation X and Embraer Phenom 300 business jet programs are anticipated to become a higher percentage of total revenue on a quarter over quarter and year over year comparison basis. Historically, we have lower margins during the early stages of long-term programs. Therefore, we expect this product mix in 2014 will produce a gross profit margin for full year 2014 in the range of 20% to 21%. As marketing and sales forecasts for these commercial programs permit us to increase our estimate of production quantity, our gross margins on these programs will typically improve. Looking beyond this year to 2015, we see continued strength in production rates of our business jet programs, steady production on our more mature programs and new starts that combined could produce the highest revenue in our history. Likewise as unit costs decrease with increased build rates we anticipate gross margin expanding in full year 2015 to be higher than in 2014.

The statements in the "Business Outlook" section and other forward-looking statements of this Form 10-K are subject to revision during the course of the year in our quarterly earnings releases and SEC filings and at other times.

Liquidity and Capital Resources

General. At December 31, 2013, we had working capital of $88,440,083 compared to $79,708,725 at December 31, 2012, an increase of $8,731,358, or 11%.

Cash Flow. A large portion of our cash is used to pay for materials and processing costs associated with contracts that are in process and which do not provide for progress payments. Costs for which we are not able to bill on a progress basis are components of "Costs and estimated earnings in excess of billings on uncompleted contracts" on our balance sheet 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.

Because the POC method of accounting requires us to use estimates in determining revenues, costs and profits and in assigning the amounts to accounting periods, there can be a significant disparity between earnings (both for accounting and tax purposes) as reported and actual cash that we receive during any reporting period. Accordingly, it is possible that we may have a shortfall in our cash flow and may need to borrow money until the reported earnings materialize into actual cash receipts.

Our costs and estimated earnings in excess of billings ("CEE") increased by approximately $3.6 million during the year ended December 31, 2013 of which the Boeing A-10 contract accounted for approximately $2.1 million of this increase. The trend, however, in this program was very positive in the last six months of 2013, as we billed $11 million and decreased the CEE by nearly $1 million. We expect that this trend of higher billings and decreasing CEE to continue in 2014.

In order to perform on new programs, such as the UTS Aerospace and Embraer programs, we may be required to expend up-front costs that may have to be amortized over a portion of production units. In the case of significant program delays and/or program cancellations, we could be required to bear impairment charges which may be material, for costs that are not recoverable. Such charges and the loss of up-front costs could have a material impact on our liquidity and results of operations.

We continue to work to obtain better payment terms with our customers, including accelerated progress payment arrangements, as well as exploring alternative funding sources.

At December 31, 2013, our cash balance was $2,166,103 compared to $2,709,803 at December 31, 2012, a decrease of $543,700. Our accounts receivable balance at December 31, 2013 decreased to $4,392,254 from $6,774,346 at December 31, 2012.

Bank Credit Facilities. Until December 2012, the Company was party to a Credit Agreement, dated August 13, 2007, as amended, between the Company and Sovereign Bank (the "Prior Agreement"), which provided for a revolving credit facility and two term loans. Immediately prior to entering into the Restated Agreement (identified below), a revolving credit facility in the aggregate of $18.0 million was available to the Company under the Prior Agreement.

On December 5, 2012, the Company entered into an Amended and Restated Credit Agreement with Sovereign Bank ("Restated Agreement") as the sole arranger, administrative agent, collateral agent and lender and Valley National Bank as lender. The Restated Agreement increased the revolving credit facility under the Prior Agreement from $18 million to $35 million (the "Sovereign Revolving Facility"), refinanced one of the previous term loans as a revolving credit loan, continued the other term loan and then-existing revolving credit loans, and amended and restated the general terms of the Prior Agreement. The revolving credit loans under the Restated Agreement mature on December 5, 2016. The Sovereign Revolving Facility and term loan under the Restated Agreement are secured by all of our assets.

As of December 31, 2013, the Company was in compliance with all financial covenants contained in the Credit Agreement.

As of December 31, 2013, the Company had $21.4 million outstanding under the Restated Agreement. As of December 31, 2012, the Company had $23.5 million outstanding under the Sovereign Revolving Facility.

On October 22, 2008, the Company obtained a $3.0 million term loan from Sovereign Bank to be amortized over five years (the "Sovereign Term Loan"). This term loan was refinanced as part of the revolving credit loan under the Restated Agreement of December 5, 2012.

On March 9, 2012, the Company obtained a $4.5 million term loan from Sovereign Bank to be amortized over five years (the "Sovereign Term Loan 2"). The Sovereign Term Loan 2 was used by the Company to purchase tooling and equipment for new programs. The Sovereign Term Loan 2 was continued under the Restated Agreement, and is payable in monthly installments of $75,000, with a final payment of the remaining principal balance on March 9, 2017. The Sovereign Term Loan 2 bears interest at the lower of LIBOR plus 3% or Sovereign Bank's prime rate. The Sovereign Term Loan 2 is subject to the amended and restated terms and conditions of the Restated Agreement.

In connection with the Sovereign Term Loan 2, the Company and Sovereign Bank entered into a five-year interest rate swap agreement, in the notional amount of $4.5 million. Under the interest rate swap, the Company pays an amount to Sovereign Bank representing interest on the notional amount at 4.11% and receives an amount from Sovereign representing interest on the notional amount at a rate equal to the one-month LIBOR plus 3%. The effect of this interest rate swap will be the Company paying a fixed interest rate of 4.11% over the term of the Sovereign Term Loan 2.

We believe that our existing resources, together with the availability under our credit facility, will be sufficient to meet our current working capital needs for at least the next 12 months.

Contractual Obligations. The table below summarizes information about our contractual obligations as of December 31, 2013 and the effects these obligations are expected to have on our liquidity and cash flow in the future years.

	Payments Due By Period ($)				
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Debt	$ 3,000,000	$ 900,000	$1,800,000	$ 300,000	$ —
Capital Lease Obligations	218,536	120,349	98,187	—	—
Operating Leases	13,967,059	1,591,604	3,163,151	3,318,847	5,893,457
Employment Agreement Compensation**	2,799,000	923,000	1,876,000	—	—
Interest Rate Swap Agreement	31,992	—	31,992	—	—
Total Contractual Cash Obligations	$20,016,587	$3,534,953	$6,969,330	$3,618,847	$5,893,457

**The employment agreements provide for bonus payments that are excluded from these amounts.

BALANCE SHEETS

Year ended December 31,	2013	2012
ASSETS		
Current Assets:		
Cash	$ 2,166,103	$ 2,709,803
Accounts receivable, net	4,392,254	6,774,346
Costs and estimated earnings in excess of billings on uncompleted Contracts	112,597,136	108,909,844
Deferred income taxes	417,000	534,000
Prepaid expenses and other current assets	609,268	426,063
Total current assets	120,181,761	119,354,056
Property and equipment, net	2,849,753	2,907,476
Deferred income taxes	1,133,000	1,001,000
Other assets	108,080	1,620,984
Total Assets	$124,272,594	$124,883,516
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 7,614,755	$ 13,286,558
Accrued expenses	654,868	943,356
Billings in excess of costs and estimated earnings on uncompleted contracts	276,170	656,853
Current portion of long-term debt	1,020,349	1,100,564
Line of credit	21,350,000	23,450,000
Deferred income taxes	89,000	102,000
Income taxes payable	736,536	106,000
Total current liabilities	31,741,678	39,645,331
Long-term debt, net of current portion	2,198,187	3,209,873
Deferred income taxes	788,000	867,000
Other liabilities	593,210	567,113
Total Liabilities	35,321,075	44,289,317
Commitments		
Shareholders' Equity:		
Common stock - $.001 par value; authorized 50,000,000 shares, issued 8,410,493 and 8,371,439 shares, respectively, and outstanding 8,410,493 and 8,371,439 shares, respectively	8,410	8,371
Additional paid-in capital	50,381,348	49,780,673
Retained earnings	38,582,876	30,845,982
Accumulated other comprehensive loss	(21,115)	(40,827)
Total Shareholders' Equity	88,951,519	80,594,199
Total Liabilities and Shareholders' Equity	$124,272,594	$124,883,516

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Year ended December 31,	2013	2012	2011
Revenue	$82,988,522	$89,272,582	$74,135,669
Cost of sales	64,555,275	65,039,969	55,325,729
Gross profit	18,433,247	24,232,613	18,809,940
Selling, general and administrative expenses	6,704,524	7,322,630	7,931,586
Income from operations	11,728,723	16,909,983	10,878,354
Other income (expense):			
Interest/other income	78,957	31,520	4,065
Interest expense	(653,786)	(416,373)	(343,491)
Total other expense, net	(574,829)	(384,853)	(339,426)
Income before provision for income taxes	11,153,894	16,525,130	10,538,928
Provision for income taxes	3,417,000	5,514,000	3,122,000
Net income	7,736,894	11,011,130	7,416,928
Other comprehensive income (loss), net of tax			
Change in unrealized gain (loss)-Interest rate swap	19,712	(19,055)	23,632
Comprehensive income	$7,756,606	$10,992,075	$7,440,560
Income per common share-basic	$0.92	$1.43	$1.08
Income per common share-diluted	$0.91	$1.40	$1.04
Shares used in computing earnings per common share:			
Basic	8,389,048	7,721,304	6,869,624
Diluted	8,470,578	7,865,090	7,133,604

STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2013, 2012 and 2011

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 1, 2011	6,911,570	$6,912	$33,272,237	$12,417,924	$(981,226)	$(45,404)	$44,670,443
Net Income	—	—	—	7,416,928	—	—	7,416,928
Change in unrealized loss from interest rate swap	—	—	—	—	—	23,632	23,632
Common stock issued upon exercise of options	165,333	165	614,282	—	—	—	614,447
Common stock issued as employee compensation	2,735	3	36,154	—	—	—	36,157
Stock based compensation expense	—	—	985,600				985,600
Tax benefit from stock option plans	—	—	438,000	—	—	—	438,000
Treasury stock acquired	—	—	—	—	(159,000)	—	(159,000)
Balance at December 31, 2011	7,079,638	7,080	35,346,273	19,834,852	(1,140,226)	(21,772)	54,026,207
Net Income	—	—	—	11,011,130	—	—	11,011,130
Change in unrealized loss from interest rate swap	—	—	—	—	—	(19,055)	(19,055)
Common stock issued in share offering	1,195,750	1,195	13,322,499	—	—	—	13,323,694
Common stock issued upon exercise of options	210,143	210	1,290,305	—	—	—	1,290,515
Common stock issued as employee compensation	19,165	19	266,032	—	—	—	266,051
Stock based compensation expense	—	—	382,657	—	—	—	382,657
Tax benefit from stock option plans	—	—	313,000	—	—	—	313,000
Treasury stock retired	(133,257)	(133)	(1,140,093)	—	1,140,226	—	—
Balance at December 31, 2012	8,371,439	8,371	49,780,673	30,845,982	—	(40,827)	80,594,199
Net Income	—	—	—	7,736,894	—	—	7,736,894
Change in unrealized loss from interes rate swap	—	—	—	—	—	19,712	19,712
Common stock issued upon exercise of options	18,399	18	(18)	—	—	—	—
Common stock issued as employee compensation	20,655	21	193,884	—	—	—	193,905
Stock based compensation expense	—	—	379,809	—	—	—	379,809
Tax benefit from stock option plans	---	—	27,000	—	—	—	27,000
Balance at December 31, 2013	**8,410,493**	**$8,410**	**$50,381,348**	**$38,582,876**	**—**	**$(21,115)**	**$88,951,519**

STATEMENTS OF CASH FLOWS

Year ended December 31,	2013	2012	2011
Cash flows from operating activities:			
Net income	$ 7,736,894	$11,011,130	$ 7,416,928
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	704,435	623,795	591,373
Deferred rent	54,621	90,419	266,909
Stock-based compensation expense	379,809	382,657	985,600
Common stock issued as employee compensation	41,830	37,761	36,157
Deferred portion of provision for income taxes	(107,000)	11,000	(103,000)
Tax benefit for stock options	(27,000)	(313,000	(438,000)
Bad debt	—	(50,000)	75,000
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	2,382,092	(3,951,680)	1,791,974
(Increase) decrease in other assets	1,512,904	---	
Increase in costs and estimated earnings in excess of billings on uncompleted contracts	(3,612,292)	(29,783,016)	(31,942,776)
Decrease (increase) in prepaid expenses and other current assets	(183,205)	240,263	(8,220)
Increase in accounts payable and accrued expenses	(5,817,028)	1,465,562	4,423,371
(Decrease) increase in income taxes payable	582,536	(2,383,000)	3,105,994
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	(380,683)	540,387	97,580
Net cash provided by (used in) operating activities	3,267,913	(22,077,722)	(13,701,110)
Cash flows from investing activities:			
Purchase of property and equipment	(637,370)	(825,110)	(1,587,898)
Net cash used in investing activities	(637,370)	(825,110)	(1,587,898)
Cash flows from financing activities:			
Proceeds from exercise of stock options	—	1,290,515	455,447
Proceeds from sale of common stock	—	13,323,694	—
Payment of line of credit	(13,100,000)	(4,000,000)	—
Proceeds from line of credit	11,000,000	11,350,000	15,300,000
Payment of long-term debt	(1,101,243)	(2,042,774)	(849,615)
Proceeds from long-term debt	—	4,500,000	—
Tax benefit for stock options	27,000	313,000	438,000
Net cash provided by (used in) financing activities	(3,174,243)	24,734,435	15,343,832
Net increase (decrease) in cash	(543,700)	1,831,603	54,824
Cash at beginning of year	2,709,803	878,200	823,376
Cash at end of year	$ 2,166,103	$ 2,709,803	$ 878,200
Supplemental schedule of noncash investing and financing activities:			
Equipment acquired under capital lease	$ 9,342	$ 76,592	$ 751,129
Settlement of other receivables	—	—	$ 30,000
Accrued expenses settled in exchange for common stock	$ 152,076	$ 228,290	—
Stock options proceeds paid with Company's stock	$ 303,064	$ 355,655	$ 159,000
Supplemental schedule of cash flow information:			
Cash paid during the year for interest	$ 985,189	$ 783,373	$ 366,491
Cash paid for income taxes	$ 3,000,000	$ 7,886,409	$ 180,000

NOTES TO FINANCIAL STATEMENTS

1. PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CPI Aerostructures, Inc. ("CPI Aero®" or the "Company") is a U.S. manufacturer of structural aircraft parts for fixed wing aircraft and helicopters in both the commercial and defense markets.

Revenue Recognition
The Company's revenue is recognized based on the percentage of completion method of accounting for its contracts measured by the percentage of total costs incurred to date to estimated total costs at completion for each contract. Contract costs include all direct material, labor costs, tooling 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. Estimated losses on uncompleted contracts are recognized in the period in which such losses are determined. Changes in job performance may result in revisions to costs and income and are recognized in the period in which revisions are determined to be required. The percentage of completion method of accounting involves considerable use of estimates in determining revenues, costs and profits and in assigning the amounts to accounting periods and, as a result, there can be a significant disparity between earnings (both for accounting and taxes) as reported and actual cash received by the Company during any reporting period. In accordance with industry practice, costs and estimated earnings in excess of billings on uncompleted contracts, included in the accompanying balance sheets, contain amounts relating to contracts and programs with long production cycles, a portion of which will not be realized within one year. The Company's recorded revenue may be adjusted in later periods in the event that the Company's cost estimates prove to be inaccurate or a contract is terminated.

Government Contracts
The Company's government contracts are subject to the procurement rules and regulations of the US government. Many of the contract terms are dictated by these rules and regulations. Specifically, cost-based pricing is determined under the Federal Acquisition Regulation ("FAR"), which provide guidance on the types of costs that are allowable in establishing prices for goods and services under U.S. government contracts. For example, costs such as those related to charitable contributions, advertising, interest expense, and public relations are unallowable, and therefore not recoverable through sales. During and after the fulfillment of a government contract, the Company may be audited in respect of the direct and allocated indirect costs attributable thereto. These audits may result in adjustments to the Company's contract cost, and/or revenue.

When contractual terms allow, the Company invoices its customers on a progress basis.

Cash
The Company maintains its cash in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. From time to time, the Company's balances may exceed these limits. As of December 31, 2013, the Company had approximately $2,112,000 of uninsured balances. The Company limits its credit risk by selecting financial institutions considered to be highly credit worthy.

Accounts Receivable
Accounts receivable are reported at their outstanding unpaid principal balances. The Company writes off accounts when they are deemed to be uncollectible.

Property and Equipment
Depreciation and amortization of property and equipment is provided by the straight-line method over the shorter of estimated useful lives of the respective assets or the life of the lease, for leasehold improvements.

Rent
We recognize rent expense on a straight-line basis over the expected lease term. Within the provisions of certain leases there are escalations in payments over the lease term. The effects of the escalations have been reflected in rent expense on a straight-line basis over the expected lease term.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates by management. Actual results could differ from these estimates.

Long Lived Assets
The Company reviews its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. As a result of its review, the Company does not believe that any such change has occurred. If such changes in circumstance are present, a loss is recognized to the extent the carrying value of the asset is in excess of the fair value of cash flows expected to result from the use of the asset and amounts expected to be realized upon its eventual disposition.

Short-Term Debt
The fair value of the Company's short-term debt is estimated based on the current rates offered to the Company for debt of similar terms and maturities. Using this method, the fair value of the Company's short-term debt was not significantly different than the stated value at December 31, 2013 and 2012.

Derivatives
Our use of derivative instruments has primarily been to hedge interest rates. These derivative contracts are entered into with financial institutions. We do not use derivative instruments for trading purposes and we have procedures in place to monitor and control their use.

We record these derivative financial instruments on the balance sheet at fair value. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive loss and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Any ineffective portion of the gain or loss on the derivative instrument for a cash flow hedge is recorded in the results of operations immediately. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the results of operations immediately. See below for a discussion of our use of derivative instruments, management of credit risk inherent in derivative instruments and fair value information.

In October 2008, the Company entered into an interest rate swap with the objective of reducing our exposure to cash flow volatility arising from interest rate fluctuations associated with certain debt. The notional amount, maturity date, and currency of these contracts match those of the underlying debt. The Company has designated this interest rate swap contract as a cash flow hedge. The Company measures ineffectiveness by comparing the cumulative change in the forward contact with the cumulative change in the hedged item. No material ineffectiveness was recognized in 2013 and 2012. As of December 31, 2013 and 2012, we had a net deferred loss associated with cash flow hedges of approximately $32,000 and $61,000, respectively, due to the interest rate swap which has been included in Other Liabilities.

As a result of the use of derivative instruments, the Company is exposed to risk that the counterparties may fail to meet their contractual obligations. Recent adverse developments in the global financial and credit markets could negatively impact the creditworthiness of our counterparties and cause one or more of our counterparties to fail to perform as expected. To mitigate the counterparty credit risk, we only enter into contracts with carefully selected major financial institutions based upon their credit ratings and other factors, and continually assess the creditworthiness of counterparties. To date, all counterparties have performed in accordance with their contractual obligations.

Fair Value
At December 31, 2013 and 2012, the fair values of cash, accounts receivable, accounts payable and accrued expenses approximated their carrying values because of the short-term nature of these instruments.

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt				
Short-term borrowings and long-term debt	$24,568,536	$24,568,536	$27,760,437	$27,760,437

We estimated the fair value of debt using market quotes and calculations based on market rates.

The following tables present the fair values of liabilities measured on a recurring basis as of December 31, 2013 and 2012:

		Fair Value Measurements 2013		
Description	Total	Quoted Prices in Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Swap, net	$31,992	—	$31,992	—
Total	$31,992	—	$31,992	—

		Fair Value Measurements 2012		
Description	Total	Quoted Prices in Active Markets for Identical assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Swap, net	$60,516	—	$60,516	—
Total	$60,516	—	$60,516	—

The fair value of the Company's interest rate swap was determined by comparing the fixed rate set at the inception of the transaction to the "replacement swap rate," which represents the market rate for an offsetting interest rate swap with the same notional amounts and final maturity date. The market value is then determined by calculating the present value interest differential between the contractual swap and the replacement swap.

As of December 31, 2013 and 2012, $31,992 and $60,516, respectively, was included in Other Liabilities related to the fair value of the Company's interest rate swap, and $21,115 and $40,827, respectively, net of tax of $10,877 and $19,689, respectively, was included in Accumulated Other Comprehensive Loss.

Freight and Delivery Costs
The Company incurred freight and delivery costs of approximately $26,000, $29,000, $92,000, respectively, during the years ended December 31, 2013, 2012 and 2011. These costs are included in cost of sales.

Earnings Per 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 to purchase common stock. Incremental shares of 381,919 were used in the calculation of diluted earnings per common share in 2013. Incremental shares of 116,292 were not included in the diluted earnings per share calculations at December 31, 2013, as their exercise price was in excess of the Company's quoted market price and, accordingly, these shares are not assumed to be exercised for the diluted earnings per share calculation. Incremental shares of 415,517 were used in the calculation of diluted earnings per common share in 2012. Incremental shares of 124,217 were not included in the diluted earnings per share calculations at December 31, 2012, as their exercise price was in excess of the Company's quoted market price and, accordingly, these shares are not assumed to be exercised for the diluted earnings per share calculation. Incremental shares of 263,980 were used in the calculation of diluted earnings per common share in 2011. Incremental shares of 80,000 were not included in the diluted earnings per share calculations at December 31, 2011, as their exercise price was in excess of the Company's quoted market price and, accordingly, these shares are not assumed to be exercised for the diluted earnings per share calculation.

Income taxes
Income taxes are accounted for under the asset and liability method whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary differences between the financial statements carrying amounts of 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 in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company has recorded a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. It is the Company's policy to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. Uncertain tax positions are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions.

2. COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLING ON UNCOMPLETED CONTRACTS

At December 31, 2013, costs and estimated earnings in excess of billings on uncompleted contracts (unbilled) consist of:

	U.S. Government	Commercial	Total
Costs incurred on uncompleted contracts	$259,050,407	$62,502,116	$321,552,523
Estimated earnings	95,590,879	30,694,605	126,285,484
	354,641,286	93,196,721	447,838,007
Less billings to date	272,783,120	62,733,921	335,517,041
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 81,858,166	$30,462,800	$112,320,966

At December 31, 2012, costs and estimated earnings in excess of billings on uncompleted contracts (unbilled) consist of:

	U.S. Government	Commercial	Total
Costs incurred on uncompleted contracts	$214,888,101	$42,636,753	$257,524,854
Estimated earnings	85,320,636	23,782,285	109,102,921
	300,208,737	66,419,038	366,627,775
Less billings to date	215,743,090	42,631,694	258,374,784
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 84,465,647	$23,787,344	$108,252,991

The above amounts are included in the accompanying balance sheets under the following captions at December 31, 2013 and December 31, 2012:

	2013	2012
Costs and estimated earnings in excess of billings on uncompleted contracts	$112,597,136	$108,909,844
Billings in excess of costs and estimated earnings on uncompleted contracts	(276,170)	(656,853)
Totals	$112,320,966	$108,252,991

Unbilled costs and estimated earnings are billed in accordance with applicable contract terms. As of December 31, 2013, approximately $30 million of the balances above are not expected to be collected within one year. There are no amounts billed under retainage provisions.

Revisions in the estimated gross profits on contracts and contract amounts are made in the period in which the circumstances requiring the revisions occur. During the years ended December 31, 2013, 2012 and 2011, the effect of such revisions in total estimated contract profits resulted in a decrease to the total gross profit to be earned on the contracts of approximately $3,700,000, $1,300,000 and $3,000,000, respectively, from that which would have been reported had the revised estimate been used as the basis of recognition of contract profits in prior years.

Although management believes it has established adequate procedures for estimating costs to complete on uncompleted open contracts, it is at least reasonably possible that additional significant costs could occur on contracts prior to completion.

Accounts receivable consists of trade receivables as follows:

	2013	2012
Billed receivables	$4,417,254	$8,312,250
Less: allowance for doubtful accounts	(25,000)	(25,000)
	$4,392,254	$8,287,250

At December 31, 2013, there were no amounts classified as non-current other assets. At December 31, 2012 approximately $1.5 million was classified as non-current other assets.

4. PROPERTY AND EQUIPMENT:

Plant and equipment, at cost, consists of the following

December 31,	2013	2012	Estimated Useful Life
Machinery and equipment	$1,263,962	$941,017	5 to 10 years
Computer equipment	2,901,373	2,674,053	5 years
Furniture and fixtures	600,185	541,617	7 years
Automobiles and trucks	13,162	13,162	5 years
Leasehold improvements	1,518,779	1,480,903	10 years
	6,297,461	5,650,752	
Less accumulated depreciation and amortization	3,447,708	2,743,276	
	$2,849,753	$2,907,476	

Depreciation and amortization expense for the years ended December 31, 2013, 2012 and 2011 was $704,435, $623,795 and $591,373, respectively.

During the years ended December 31, 2013 and 2012, the Company acquired $9,342 and $76,592, respectively, of property and equipment under notes payable and capital leases.

5. LINE OF CREDIT:

Until December 2012, the Company was party to a Credit Agreement, dated August 13, 2007, as amended, between the Company and Sovereign Bank (the "Prior Agreement"), which provided for a revolving credit facility and two term loans. Immediately prior to entering into the Restated Agreement (identified below), a revolving credit facility in the aggregate of $18.0 million was available to the Company under the Prior Agreement.

On December 5, 2012, the Company entered into an Amended and Restated Credit Agreement with Sovereign Bank as the sole arranger, administrative agent and collateral agent and Valley National Bank. The Restated Agreement provides for a revolving credit loan commitment of $35 million, which replaces the Sovereign Revolving Facility, and a term loan of $3.9 million. The term of the Restated Agreement is through December 2016. The Restated Agreement increases the availability under, and amends and restates the Credit Agreement, dated as of August 13, 2007, as subsequently amended, between the Company and Sovereign Bank (the "Prior Agreement"), which provided for a revolving credit loan commitment and two term loans. One of the term loans under the Prior Agreement was refinanced as a revolving credit loan under the Restated Agreement. The other term loan and the revolving credit loans under the Prior Agreement continued as a term loan and revolving credit loan under the Restated Agreement.

As of December 31, 2013, the Company was in compliance with all financial covenants contained in t e credit agreement. As of December 31, 2013, the Company had $21.4 million outstanding under the Sovereign Revolving Facility bearing interest at 3.25%.

6. LONG-TERM DEBT

On October 22, 2008, the Company obtained a $3.0million term loan from Sovereign Bank to be amortized over five years (the "Sovereign Term Facility"). Prior to entering into the term loan the Company had borrowed $2.5 million under the Sovereign Revolving Facility to fund the initial tooling costs related to a long-term contract. The Company used the proceeds from the Sovereign Term Facility to repay the borrowings under the Sovereign Revolving Facility and to pay for additional tooling related to a long-term contract. This term loan was refinanced as a revolving credit loan under the Restated Agreement of December 5, 2012.

On March 9, 2012, the Company obtained a $4.5 million term loan from Sovereign Bank to be amortized over five years (the "Sovereign Term Facility 2"). Sovereign Term Facility 2 was used to purchase tooling and equipment for new programs. Sovereign Term Facility 2 bears interest at the lower of LIBOR plus 3% or Sovereign Bank's prime rate. The terms and conditions of the Sovereign Revolving Facility are applicable to the Sovereign Term Facility.

Additionally, the Company and Sovereign Bank entered into a five year interest rate swap agreement, in the notional amount of $4.5 million. Under the interest rate swap, the Company pays an amount to Sovereign Bank representing interest on the notional amount at a fixed rate of 4.11% and receives an amount from Sovereign Bank representing interest on the notional amount of a rate equal to the one-month LIBOR plus 3%. The effect of this interest rate swap will be the Company paying a fixed interest fixed rate of 4.11% over the term of the Sovereign Term Facility 2.

The maturities of the long-term debt are as follows:

Year ending December 31,	
2014	1,020,349
2015	960,784
2016	937,403
2017	300,000
	$3,218,536

Also included in long-term debt are capital leases and notes payable of $218,536 and $410,437 at December 31, 2013 and 2012, respectively, including a current portion of $120,349 and $200,564, respectively.

The cost of assets under capital leases was approximately $1,061,000 and $1,051,000 at December 31, 2013 and 2 12, respectively. Accumulated depreciate of assets under capital leases was approximately $570,000 and $382,000 at December 31, 2013 and 2012, respectively.

7. COMMITMENTS:

The Company has employment agreements with two employees. The aggregate future commitment under these agreements is as follows:

Year ending December 31,	
2014	$ 576,000
2015	$ 588,000
2016	588,000
	$1,752,000

These agreements provide for additional bonus payments that are calculated as defined.

See Note 13-Subsequent Events for further comments.

The Company leases an office and warehouse facility under a non-cancelable operating lease which expires in December 2022. The aggregate future commitment under this agreement is as follows:

Year ending December 31,	
2014	$ 1,591,604
2015	1,562,685
2016	1,600,467
2017	1,639,382
2018	1,679,465
hereafter	5,893,457
	$13,967,060

Rent expense for the years ended December 31, 2013, 2012 and 2011 was $1,636,171, $1,634,121 and $1,044,394, respectively.

8. INCOME TAXES

The provision for income taxes consists of the following:

Years ended December 31,	2013	2012	2011
Current:			
Federal	$3,524,000	$5,503,000	$3,220,000
Prior year over accrual	—	—	5,000
State	—	5,000	—
Deferred:			
Federal	(107,000)	11,000	(103,000)
	$3,417,000	$5,514,000	$3,122,000

The difference between the income tax provision computed at the federal statutory rate and the actual tax provision is accounted for as follows:

Years ended December 31,	2013	2012	2011
Taxes computed at the federal statutory rate	$3,792,000	$5,701,000	$3,583,000
State income tax, net	—	—	3,000
Prior year true-up	190,000	47,000	(61,000)
Domestic Production Activity Credit	(340,000)	(523,000)	(322,000)
Other Permanent differences	(225,000)	(289,000)	(81,000)
Provision for Income Taxes	$3,417,000	$5,514,000	$3,122,000

The components of deferred income tax assets and liabilities are as follows:

Deferred Tax Assets:	2013	2012
Revenue recognition	$ 408,000	$422,000
Allowance for doubtful accounts	9,000	112,000
Deferred tax asset-current	417,000	534,000
Deferred rent	191,000	175,000
Stock options	931,000	805,000
Interest rate swap	11,000	21,000
Deferred Tax Assets-non current	1,133,000	1,001,000
Deferred Tax Liabilities:		
Prepaid expenses	89,000	102,000
Deferred Tax Liabilities-current	89,000	102,000
Property and equipment	788,000	867,000
Deferred tax liability-noncurrent	788,000	867,000
Net Deferred Tax Assets (Liabilities)	$ 673,000	$ 566,000

The Company recognized, for income tax purposes, a tax benefit of $27,000, $313,000 and $438,000 for the years ended December 31, 2013, 2012 and 2011, respectively, for compensation expense related to its stock option plan fo which no corresponding charge to operations has been recorded. Such amounts have been added to additional paid-in capital in those years.

9. EMPLOYEE STOCK OPTION PLANS:

The Company accounts for compensation expense associated with Stock Options based on the fair value of the options on the date of grant.

The Company used the modified transition method to establish the beginning balance of the additional paid-in capital pool related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of the fair value method.

The Company's net income for the years ended December 31, 2013, 2012 and 2011, include approximately $380,000, $383,000 and $986,000 of stock based compensation expense, respectively. The Company recorded reductions in income tax payable of approximately $266,000, $528,000 and $547,000 for the years ended December 31, 2013, 2012 and 2011, respectively, as a result of the tax benefit upon exercise of options. The compensation expense related to the Company's stock-based compensation arrangements is recorded as a component of selling, general and administrative expenses. Cash flows resulting from tax deductions in excess of the cumulative compensation cost recognized from options exercised (excess tax benefits) is classified as cash inflows from financing activities and cash inflows from operating activities.

In 1995, the Company adopted the 1995 Stock Option Plan (the "1995 Plan"), as amended, for which 200,000 common shares are reserved for issuance. The 1995 Plan provides for the issuance of either incentive stock options or nonqualified stock options to employees, consultants or others who provide services to the Company. The options' exercise price is equal to the closing price of the Company's shares on the day of issuance, except for incentive stock options granted to the Company's president, which are exercisable at 110% of the closing price of the Company's shares on the date of issuance.

In 1998, the Company adopted the 1998 Performance Equity Plan (the "1998 Plan"). The 1998 Plan, as amended, reserved 463,334 common shares for issuance. The 1998 Plan provides for the issuance of either incentive stock options or nonqualified stock options to employees, consultants or others who provide services to the Company. The options' exercise price is equal to the closing price of the Company's shares on the day of issuance, except for incentive stock options granted to the Company's president, which are exercisable at 110% of the closing price of the Company's shares on the date of issuance.

In 2000, the Company adopted the Performance Equity Plan 2000 (the "2000 Plan"). The 2000 Plan, as amended, reserved 463,334 common shares for issuance. The 2000 Plan provides for the issuance of either incentive stock options or nonqualified stock options to employees, consultants or others who provide services to the Company. The options' exercise price is equal to the closing price of the Company's shares on the day of issuance, except for incentive stock options granted to the Company's president, which are exercisable at 110% of the closing price of the Company's shares on the date of issuance.

In 2009, the Company adopted the Performance Equity Plan 2009 (the "2009 Plan"). The 2009 Plan reserved 500,000 common shares for issuance. The 2009 Plan provides for the issuance of either incentive stock options or nonqualified stock options to employees, consultants or others who provide services to the Company. The options' exercise price is equal to the closing price of the Company's shares on the day of issuance, except for incentive stock options granted to any person possessing more than 10% of the total combined voting power of all classes of Company stock, which are exercisable at 110% of the closing price of the Company's shares on the date of issuance.

The Company has 218,480 options available for grant under the 2009 Plan.

The estimated fair value of each option award granted was determined on the date of grant using the Black-Scholes option valuation model. The following weighted average assumptions were used for option grants during the years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
Risk-free interest rate	0.72%	0.90%	2.08%
Expected volatility	106.0%	101.8%	100.9%
Dividend yield	0%	0%	0%
Expected option term-in years	5	5	5

The risk free interest rate for the years ended December 31, 2013, 2012 and 2011 is based on the 5 year U.S. Treasury note rate on the day of grant. The expected volatility computation for the years ended December 31, 2013, 2012 and 2011 is based on the average of the volatility over the most recent four year period, which represents the Company's estimate of expected volatility over the expected option term. The Company has never paid a dividend, and is not expected to pay a dividend in the foreseeable future, therefore the dividend yield is assumed to be zero. The Company assumes zero forfeitures of options as the historical forfeiture rate is below 1%.

A summary of the status of the Company's stock option plans is as follows:

Fixed Options	Options	Weighted average Exercise Price	Weighted average remaining contractual term (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2011	780,333	$6.68	2.92	
Granted during period	80,000	14.90		
Exercised	(165,333)	3.72		
Outstanding At December 31, 2011	695,000	$8.33	2.66	
Granted during period	40,517	11.87		
Exercised	(240,000)	6.85		
Outstanding at December 31, 2012	495,517	$9.33	2.73	
Granted during period	46,402	10.64		
Exercised	(45,000)	6.70		
Forfeited/Expired	(35,000)	8.20		
Outstanding and expected to vest at December 31, 2013	461,919	9.80	2.28	2,471,917
Vested at December 31, 2013	461,919	9.80	2.28	2,471,917

The weighted-average fair value of each option granted during the years ended December 31, 2013, 2012 and 2011, estimated as of the grant date using the Black-Scholes option valuation model was $8.17, $8.91 and $11.24, respectively.

The Company's stock options granted to non-employee directors vest immediately upon grant and have a maximum contractual term of five years. Stock options granted to employees vest over three years and have a maximum contractual term of ten years. The expected option term is calculated utilizing historical data of option exercises.

As of December 31, 2013, 2012 and 2011, there was $0, $0 and $21,687, respectively, of unrecognized compensation cost related to nonvested stock option awards.

During the year ended December 31, 2013, no stock options were exercised for cash. During the same period, 45,000 options were exercised, pursuant to provisions of the stock option plan, where the Company received no cash and 26,601 shares of its common stock in exchange for the 45,000 shares issued in the exercise. The 26,601 shares that the Company received were valued at $303,064, the fair market value of the shares on the dates of exercise.

During the year ended December 31, 2012, 10,000 options were exercised, pursuant to provisions of the stock option plan, where the Company received no cash and 4,589 shares of its common stock in exchange for the 10,000 shares issued in the exercise. The 4,589 shares that the Company received were valued at $69,095, the fair market value of the shares on the date of exercise. In addition, 25,000 options were exercised, pursuant to provisions of the stock option plan for a combination of cash and common shares. The Company received $102,815 in cash and 4,333 shares in exchange for the 25,000 shares issued in this exercise. The 4,333 shares that the Company received were valued at $69,930, the fair market value of the shares on the date of exercise. Lastly, the Company received no cash and 20,935 shares of its common stock in exchange for the 25,000 shares issued in the exercise. The 20,935 shares that the Company received were valued at $216,630, the fair market value of the shares on the date of exercise.

During the years ended December 31, 2013, 2012 and 2011, the Company earned a tax benefit of $27,000, $313,000 and $438,000, respectively, from the exercise of stock options.

The intrinsic value of stock options exercised during the years ended December 31, 2013, 2012 and 2011 was approximately $266,000, $1,337,000 and $1,609,000, respectively.

The aggregate intrinsic value f all options vested during the years ended December 31, 2013, 2012 and 2011 was approximately $2,472,000, $859,000 and $2,625,000, respectively.

10. EMPLOYEE BENEFIT PLAN:

On September 11, 1996, the Company's board of directors instituted a defined contribution plan under Section 401(k) of the Internal Revenue Code (the "Code"). On October 1, 1998, the Company amended and standardized its plan as required by the Code. Pursuant to the amended plan, qualified employees may contribute a percentage of their pre-tax eligible compensation to the Plan and the Company will match a percentage of each employee's contribution. Additionally, the Company has a profit-sharing plan covering all eligible employees. Contributions by the Company are at the discret on of management. The amount of contributions recorded by the Company in 2013, 2012 and 2011 amounted to $326,416, $301,196 and $232,364, respectively.

11. MAJOR CUSTOMER:

Two percent of revenue in 2013, 7% of revenue in 2012 and 9% of revenue in 2011 were directly to the U.S. government. Less than 1% and 2% of accounts receivable at December 31, 2013 and 2012, respectively, were from the U. S. Government.

In addition, in 2013, 26%, 21%, 19% and 12% of our revenue were to our four largest Commercial customers, respectively. In 2012, 33%, 18%, 17% and 13% of our revenue were to our four largest Commercial customers, respectively. At December 31, 2013, 28%, 24% and 20% of accounts receivable were from our three largest commercial customers. At December 31, 2012, 36%, 30% and 21% of accounts receivable were from our three largest commercial customers.

At December 31, 2013 and 2012, less than one percent and 3%, respectively, of Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts were from the U.S. government.

At December 31, 2013, 40%, 17%, 16%, and 10% of Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts were from our four largest commercial customers. At December 31, 2012, 39%, 22%, 14% and 3% of Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts were from our four largest commercial customers.

12. QUARTERLY FINANCIAL DATA (UNAUDITED):

The results of any single quarter are not necessarily indicative of the Company's results for the full year. Earnings per share data is computed independently for each of the periods presented. As a result, the sum of the earnings per share amounts for the quarter may not equal the total for the year.

	Quarter ended			
2013	March 31,	June 30,	Sept. 30,	Dec. 31,
Revenue	19,927,433	21,110,452	20,664,645	21,285,992
Gross Profit	4,440,570	4,236,247	4,476,127	5,280,303
Net Income	1,671,276	1,784,276	1,911,100	2,370,242
Earning per share				
Basic	0.20	0.21	0.23	0.28
Diluted	0.20	0.21	0.23	0.28

2012	March 31,	June 30,	Sept. 30,	Dec. 31,
Revenue	19,721,095	20,854,627	21,340,831	27,356,029
Gross Profit	4,964,386	5,768,644	5,804,424	7,69 ,159
Net Income	1,919,320	2,696,019	2,795,437	3,600,354
Earning per share				
Basic	0.28	0.37	0.33	0.43
Diluted	0.27	0.36	0.33	0.43

13. SUBSEQUENT EVENT:

On March 5, 2014, the Company's President and Chief Executive Officer, Edward J. Fred, resigned his position with the Company. He will remain with the Company in an advisory capacity until May 16, 2014, and for 18 months thereafter, will be retained by the Company as a consultant. In connection with his resignation, the Company entered into a separation agreement with Mr. Fred, which terminates his previous employment agreement, dated December 16, 2009 (as amended), with the Company, except for certain confidentiality and non-competition provisions. Pursuant to the Separation Agreement, until May 16, 2014, Mr. Fred will receive his salary and benefits in effect immediately preceding his resignation. The Company will also pay him the performance bonus he earned for the fiscal year ended December 31, 2013 in accordance with his previous employment agreement. After the Separation Date and in consideration of Mr. Fred signing a release of claims, Mr. Fred will receive separation benefits consisting of a cash payment of $100,000 and for up to 18 months, payment of his medical and dental premiums for continued coverage on the Company's plans as permitted under the Consolidated Omnibus Budget Reconciliation Act of 1985. The aggregate future commitment under these agreements is as follows:

Year ending December 31,	
2014	$414,000
2015	$221,000
	$635,000

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
CPI Aerostructures, Inc.

We have audited the accompanying balance sheets of CPI Aerostructures, Inc. as of December 31, 2013 and 2012, and the related statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013. Our audits of the financial statements included the financial statement schedule listed in the index appearing under Item 15. CPI Aerostructures, Inc.'s management is responsible for these financial statements and the financial statement schedule. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CPI Aerostructures, Inc. as of December 31, 2013 and 2012, and its results of operations and cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CPI Aerostructures, Inc.'s internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 11, 2014, expressed an unqualified opinion on the effectiveness of CPI Aerostructures, Inc.'s internal control over financial reporting.

Jericho, New York
March 11, 2014

Market Information

Our common shares are listed on the NYSE MKT under the symbol CVU. The following table sets forth for 2013 and 2012, the high and low sales prices of our common shares for the periods indicated, as reported by the NYSE MKT.

Period	High	Low
2012		
Quarter Ended March 31, 2012	$16.42	$11.59
Quarter Ended June 30, 2012	$16.40	$10.64
Quarter Ended September 30, 2012	$12.68	$10.50
Quarter Ended December 31, 2012	$11.50	$9.36
2013		
Quarter Ended March 31, 2013	$11.54	$8.39
Quarter Ended June 30, 2013	$10.87	$8.26
Quarter Ended September 30, 2013	$11.93	$10.54
Quarter Ended December 31, 2013	$15.15	$10.69

On March 3, 2014, the closing sale price for our common shares on the NYSE MKT was $14.30. On March 3, 2014, there were 221 holders of record of our common shares and, we believe, over 2,200 beneficial owners of our common shares.

Dividend Policy

To date, we have not paid any dividends on our common shares. Any payment of dividends in the future is within the discretion of our board of directors and will depend on our earnings, if any, our capital requirements and financial condition and other relevant factors. Our board of directors does not intend to declare any cash or other dividends in the foreseeable future, but intends instead to retain earnings, if any, for use in our business operations.

CORPORATE INFORMATION

Officers

Douglas McCrosson
President and
Chief Executive Officer

Vincent Palazzolo
Chief Financial Officer

Board of Directors

Eric Rosenfeld
Chairman

Douglas McCrosson
President and
Chief Executive Officer

Harvey Bazaar
Director

Kenneth McSweeney
Principal
K.F. McSweeney, Unlimited

Walter Paulick
President
W.R. Paulick and Associates, Inc.

Michael Faber
Chief Executive Officer
Nextpoint Management Company

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Transfer Agent
Communications regarding change of address, transfer of stock ownership, or lost stock certificates should be directed to:
American Stock Transfer
6201 15th Ave.
Brooklyn, NY 11219

Common Stock
CPI Aerostructures' common stock trades on The NYSE MKT under the symbol CVU.

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100 Jericho Quadrangle
Jericho, NY 11753

Investor Relations
The Equity Group Inc.
800 Third Avenue — 36th Floor
New York, NY 10022
(212) 371-8660

Stockholder Contact and Form 10-K
Stockholders are encouraged to contact the Company with questions or requests for information. A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission, will be sent to stockholders free of charge upon written request. Inquiries should be directed to:

Chief Financial Officer
CPI Aero
91 Heartland Boulevard
Edgewood, NY 11717
(631) 586-5200
or contact the Company at its website,

www.cpiaero.com

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