

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 3, 2009

OR

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

For the transition period from _____ to _____

Commission file number: 001-33507

EDAC Technologies Corporation

(Exact name of registrant as specified in its charter)

Wisconsin

(State or other jurisdiction of incorporation or organization)

39-1515599

(I.R.S. employer Identification No.)

1806 New Britain Avenue, Farmington, CT 06032

(Address of principal executive offices)

(860) 677-2603

(Registrant'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 for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No .

On October 30, 2009 there were outstanding 4,837,803 shares of the registrant's Common Stock, \$0.0025 par value per share.

PART I FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

EDAC TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	October 3, 2009 <u>(Unaudited)</u>	January 3, 2009 <u>(Audited)</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 851,475	\$ 1,311,092
Trade accounts receivable, (net of allowance for doubtful accounts of \$271,000, as of October 3, 2009 and \$186,000, as of January 3, 2009)	11,380,063	7,931,550
Inventories, net	20,406,862	7,961,788
Prepaid expenses and other	357,049	107,333
Refundable income taxes	-	686,708
Deferred income taxes	<u>918,567</u>	<u>983,298</u>
TOTAL CURRENT ASSETS	<u>33,914,016</u>	<u>18,981,769</u>
 PROPERTY, PLANT, AND EQUIPMENT less-accumulated depreciation	 48,359,259 <u>25,498,519</u> <u>22,860,740</u>	 35,347,124 <u>23,992,878</u> <u>11,354,246</u>
 DEFERRED INCOME TAXES	 <u>-</u>	 <u>105,971</u>
OTHER ASSETS:		
Deposits on equipment	-	981,300
Other	<u>228,921</u>	<u>40,338</u>
 TOTAL ASSETS	 <u>\$ 57,003,677</u>	 <u>\$ 31,463,624</u>

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

EDAC TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	October 3, 2009 <u>(Unaudited)</u>	January 3, 2009 <u>(Audited)</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Lines of credit	\$1,891,190	\$1,674,990
Current portion of long-term debt	2,135,023	2,376,018
Trade accounts payable	7,274,442	3,485,192
Accrued employee compensation and amounts withheld	1,726,089	1,112,006
Other accrued expenses	1,216,434	361,252
Customer advances	685,901	261,643
TOTAL CURRENT LIABILITIES	<u>14,929,079</u>	<u>9,271,101</u>
LONG-TERM DEBT, less current portion	<u>12,600,592</u>	<u>4,827,697</u>
OTHER LIABILITIES	<u>1,698,233</u>	<u>1,698,233</u>
DEFERRED INCOME TAXES	<u>4,411,868</u>	<u>-</u>
SHAREHOLDERS' EQUITY:		
Common stock, \$.0025 par value; issued and outstanding: 4,837,303 on October 3, 2009 and 4,825,303 on January 3, 2008	12,095	12,063
Additional paid-in capital	11,118,990	10,934,736
Retained earnings	14,671,626	7,158,600
	25,802,711	18,105,399
Less: accumulated other comprehensive loss	2,438,806	2,438,806
TOTAL SHAREHOLDERS' EQUITY	<u>23,363,905</u>	<u>15,666,593</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 57,003,677</u>	<u>\$ 31,463,624</u>

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

EDAC TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>Oct 3, 2009</u>	<u>Sept 27, 2008</u>	<u>Oct 3, 2009</u>	<u>Sept 27, 2008</u>
Sales	\$15,132,120	\$10,547,124	\$38,344,712	\$32,577,388
Cost of sales	<u>13,370,287</u>	<u>9,161,877</u>	<u>33,806,646</u>	<u>27,276,156</u>
Gross profit	1,761,833	1,385,247	4,538,066	5,301,232
Selling, general and administrative expenses	<u>1,305,763</u>	<u>842,868</u>	<u>3,347,624</u>	<u>2,676,232</u>
Income from operations	456,070	542,379	1,190,442	2,625,000
Non-operating income (expense):				
Interest expense	(262,388)	(158,885)	(592,813)	(478,510)
Other	<u>(73,431)</u>	<u>8,425</u>	<u>11,673,022</u>	<u>62,354</u>
Income before income taxes	120,251	391,919	12,270,651	2,208,844
Provision for income taxes	<u>39,803</u>	<u>137,000</u>	<u>4,757,627</u>	<u>791,000</u>
Net income	<u>\$80,448</u>	<u>\$254,919</u>	<u>\$7,513,024</u>	<u>\$1,417,844</u>

Income per share data (Note A):

Basic	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ 1.56</u>	<u>\$ 0.30</u>
Diluted	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ 1.53</u>	<u>\$ 0.28</u>

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

EDAC TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	<u>For the nine months ended</u>	
	<u>October 3,</u>	<u>September 27,</u>
	<u>2009</u>	<u>2008</u>
Operating Activities:		
Net income	\$7,513,024	\$1,417,844
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,547,046	1,539,627
Deferred income taxes	4,582,570	53,000
Gain on acquisition of business	(11,874,591)	
Gain on sale of property, plant & equipment	(30,500)	(21,850)
Stock compensation expense pursuant to stock options	166,311	167,247
Excess tax benefit from share-based compensation	-	(309,150)
Changes in working capital items	<u>211,221</u>	<u>(2,952,926)</u>
Net cash provided by (used in) operating activities	<u>2,115,081</u>	<u>(106,208)</u>
Investing Activities:		
Additions to property, plant and equipment	(871,863)	(570,834)
Equipment deposits	981,300	(749,250)
Acquisition of business	(10,275,000)	-
Proceeds from sale of property, plant and equipment	30,500	21,850
Deferred financing costs	<u>(205,710)</u>	<u>-</u>
Net cash used in investing activities	<u>(10,340,773)</u>	<u>(1,298,234)</u>
Financing Activities:		
Increase in lines of credit, net	216,200	1,365,590
Repayments of long-term debt	(1,968,100)	(1,705,185)
Borrowing on long-term debt	9,500,000	-
Proceeds from exercise of options and issuance of common stock	17,975	160,619
Excess tax benefit from share-based compensation	<u>-</u>	<u>309,150</u>
Net cash provided by (used in) financing activities	<u>7,766,075</u>	<u>130,174</u>
Decrease in cash	(459,617)	(1,274,268)
Cash at beginning of period	<u>1,311,092</u>	<u>3,286,203</u>
Cash at end of period	<u><u>\$851,475</u></u>	<u><u>\$2,011,935</u></u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 585,945	\$ 478,511
Income taxes paid (refunded)	(361,000)	526,000

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

NOTE A – ACQUISITION AND BASIS OF PRESENTATION

ACQUISITION

On May 27, 2009, the Company acquired substantially all of the assets and certain liabilities of MTU Aero Engines North America, Inc. ("AENA"). This business is hereinafter referred to as "AERO". The acquisition was accounted for under the purchase method of accounting with the assets and liabilities acquired recorded at their fair values at the date of acquisition. The results of operations of the acquired business have been included in the Condensed Consolidated Statements of Operations beginning as of the effective date of the acquisition.

The \$9.5 million purchase price of AERO has been allocated almost entirely to the working capital acquired. In accordance with ASC 805.30, "Business Combinations" the acquisition was determined to be a "bargain purchase". The excess value consisting entirely of fixed assets was determined based on independent appraisals and resulted in a net gain of \$11,643,000, after acquisition related expenses of \$232,000. The Company is currently in the process of finalizing the purchase accounting and expects to do so by the end of the fourth quarter. Fair values as currently estimated are as follows (in thousands):

Accounts receivable	\$4,274
Inventories	8,980
Prepaid expenses	169
Property, plant and equipment	11,893
Accounts payable and accrued expenses	<u>(3,941)</u>
	<u>\$21,375</u>

The Company has reassessed that it has correctly identified all of the assets acquired and liabilities assumed. The following procedures were used to measure the amounts recognized at the acquisition date for the assets acquired and liabilities assumed in the acquisition transaction.

- Accounts receivable were reviewed and valued based on accounts deemed collectible.
- A physical inventory was taken. Raw material was valued at replacement cost. Work-in-process and finished goods were valued at selling price less cost to complete, selling costs and reasonable manufacturer's profit.
- Property, plant and equipment were appraised.
- Accounts payable and accrued expenses were valued at current value based on amounts expected to be paid to settle the obligation.

Although the Company realized a gain on the acquisition, the seller was willing to sell at less than the fair value of the net assets sold. The seller had incurred significant losses in this operation in prior years and reported that "the sale comes as a result of a review and realignment of our entire production structure." The seller was also opening a new facility in Poland.

The unaudited pro forma consolidated financial information for the nine months ended September 27, 2008 and October 3, 2009 as though the acquisition had been completed at the beginning of the respective periods are as follows (in thousands, except per share data) The pro forma information excludes the gain on the acquisition.

	<u>For the Nine Months Ended</u>	
	<u>Sept. 27, 2008</u>	<u>October 3, 2009</u>
Sales	\$47,481	\$46,997
Net income	(1,230)	642
Basic income per share	\$(0.26)	\$0.13
Diluted income per share	\$(0.24)	\$0.13

On August 10, 2009, the Company acquired substantially all of the assets of Service Network Incorporated. This business is hereinafter referred to as "SNI". The \$775,000 purchase price of SNI has been allocated as follows (in thousands): Accounts receivable \$215, inventory \$279, prepaid expenses \$9 and machinery and equipment \$272. The acquisition was funded through the Company's normal working capital and line of credit with TD Bank.

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments to previously established loss provisions) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended October 3, 2009 are not necessarily indicative of the results that may be expected for the year ending January 2, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended January 3, 2009.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company has specifically identified certain inventory as obsolete or slow-moving and has provided a full reserve for these parts. As of October 3, 2009 and January 3, 2009, inventories consisted of the following:

	<u>October 3, 2009</u>	<u>January 3, 2009</u>
Raw materials	\$2,428,415	\$1,449,789
Work-in-progress	16,458,663	5,789,839
Finished goods	<u>2,336,250</u>	<u>1,366,562</u>
	21,223,328	8,606,190
Reserve for excess and obsolete	<u>(816,466)</u>	<u>(644,402)</u>
Inventories, net	<u>\$20,406,862</u>	<u>\$7,961,788</u>

Income per share: The number of shares used in the income per common share computations for the three and nine month periods ended October 3, 2009 and September 27, 2008 are as follows:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>October 3,</u>	<u>Sept. 27,</u>	<u>October 3,</u>	<u>Sept. 27,</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Basic: Average common				
shares outstanding	4,837,803	4,746,137	4,830,803	4,693,020
Diluted: Dilutive effect of				
stock options	<u>172,858</u>	<u>393,785</u>	<u>84,244</u>	<u>459,719</u>
Average common				
shares diluted	<u>5,010,661</u>	<u>5,139,922</u>	<u>4,915,047</u>	<u>5,152,739</u>
Options excluded				
since anti-dilutive	<u>183,500</u>	<u>198,500</u>	<u>297,334</u>	<u>188,500</u>

Comprehensive Income: Comprehensive income is the same as net income for the three and nine month periods ended October 3, 2009 and September 27, 2008, since the valuation used in connection with determining the amount of the change in the Company's unfunded pension liability is determined only at the end of the year.

NEW PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board ("FASB"), launched the FASB Accounting Standards Codification ("ASC") as the single source of authoritative U.S. GAAP recognized by the FASB. The ASC reorganizes various U.S. GAAP pronouncements into accounting topics and displays them using a consistent structure. All existing accounting standards documents are superseded as described in Statement of Financial Accounting Standard ("SFAS") No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. All of the contents of the ASC carry the same level of authority, effectively superseding SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles, which identified and ranked the sources of accounting principles and the framework for selecting the principles used in preparing financial statements in conformity with U.S. GAAP. Also included in the ASC are rules and interpretive releases of the SEC, under authority of federal securities laws that are also sources of authoritative U.S. GAAP for SEC registrants. The ASC is effective for interim and annual periods ending after September 15, 2009. The adoption of the ASC as of July 1, 2009 will have no impact on our consolidated financial statements other than changing the way specific accounting standards are referenced in the Company's financial statements.

In May 2009, the FASB issued new guidance to improve accounting for the disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. This guidance is now codified within ASC 855 Subsequent Events. The adoption of the new guidance on July 4, 2009 required the Company to disclose the date through which we have evaluated subsequent events and whether that date is the date the financials were issued.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140" ("SFAS 166").

As of September 30, 2009, SFAS 166 has not been incorporated within the FASB ASC. SFAS 166 removes the concept of a qualifying special-purpose entity and establishes a new "participating interest" definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifies and amends the derecognition criteria for a transfer to be accounted for as a sale, and changes the amount that can be recognized as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. Enhanced disclosures are also required to provide information about transfers of financial assets and a transferor's continuing involvement with transferred financial assets. This statement must be applied as of the beginning of an entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is currently evaluating this new statement.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). As of September 30, 2009, SFAS 167 has not been incorporated within the FASB ASC. SFAS 167 amends previous accounting related to the Consolidation of Variable Interest Entities to require an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity (VIE) based on whether the entity (1) has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. Also, SFAS 167 requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a VIE. Enhanced disclosures are also required to provide information about an enterprise's involvement in a VIE. This statement will be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is currently evaluating this new statement.

NOTE B -- FINANCING ARRANGEMENTS

Notes payable and long-term debt consist of the following:

	October 3, 2009	January 3, 2009
Lines of credit	\$1,891,190	\$1,674,990
Term notes	9,072,759	3,914,765
Mortgage loans	5,525,999	3,010,677
Capital lease obligations	<u>136,857</u>	<u>278,273</u>
	16,626,805	8,878,705
Less - revolving line of credit	500,000	-
Less - equipment line of credit	1,391,190	1,674,990
Less - current portion of long-term debt	<u>2,135,023</u>	<u>2,376,018</u>
	<u>\$ 12,600,592</u>	<u>\$ 4,827,697</u>

The Company's acquisition of AERO was funded by a five year term note in the amount of \$4,360,000 and a ten year mortgage in the amount of \$2,640,000, both with TD Bank, N.A. The Company fixed the interest rates on the note and mortgage at 5.8% and 6.1%, respectively, through interest rate swap arrangements with TD Bank N.A. In addition, the Company issued a \$2.5 million secured promissory note to AENA, the principal amount of which is due on May 27, 2011, with interest payable quarterly at the annual rate of 5.0%.

The Company's credit facility with TD Bank, N.A. includes a revolving line of credit which provides for borrowing up to \$5,000,000, limited to an amount determined by a formula based on percentages of receivables and inventory. Although payable on demand, the revolving line of credit is reviewed annually by the bank and renewed at its discretion. On May 27, 2009, the bank renewed the Company's \$5,000,000 revolving line of credit.

As of October 3, 2009, \$500,000 and approximately \$1,391,000 were outstanding on the revolving line of credit and the equipment line of credit, respectively with \$4,500,000 and approximately \$3,309,000 available for additional borrowings on the revolving line of credit and the equipment line of credit, respectively.

On April 24, 2009, the Company's equipment line of credit with TD Bank, N.A. was amended to provide up to \$4,700,000 for eligible equipment purchases during the period August 1, 2009 through July 31, 2010. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2010, unless converted earlier at the option of the Company, with monthly payments of principal and interest in an amount to amortize the then existing principal balance in 60 equal monthly payments, including interest at the then FHLBB 5 year Regular Amortizing Advance Rate plus 3%.

NOTE C – INTEREST RATE SWAPS

Simultaneous with the AERO acquisition, the Company entered into two pay-fixed, receive-variable interest rate swaps to reduce exposure to changes in cash payments caused by changes in interest rates on certain senior long-term notes payable that were also entered into on the date of the AERO acquisition. Both relationships are designated as cash flow hedges and meet the criteria for the shortcut method for assessing hedge effectiveness; therefore, the hedge is assumed to be 100% effective and all changes in the fair value of the interest rate swaps are recorded in consolidated accumulated other comprehensive income. These changes in fair value must be reclassified in whole or in part from consolidated accumulated other comprehensive income into earnings if, and when, a comparison of the swaps and the related hedged cash flows demonstrates that the shortcut method is no longer applicable. The Company expects these hedges to meet the criteria of the shortcut method for the duration of the hedging relationship and therefore, it does not expect to reclassify any portion of any unrealized income from consolidated accumulated other comprehensive income to earnings in the future. As of October 3, 2009, there had been no change during the quarter in the fair value of the swaps.

NOTE D – DEFINED BENEFIT PENSION PLAN

The following table sets forth the components of net periodic benefit cost (in thousands):

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>Oct. 3,</u> <u>2009</u>	<u>Sept. 27,</u> <u>2008</u>	<u>Oct. 3,</u> <u>2009</u>	<u>Sept. 27,</u> <u>2008</u>
Components of net periodic benefit cost:				
Interest cost	\$82	\$91	\$246	\$273
Expected return on plan assets	(62)	(93)	(186)	(279)
Amortization of actuarial loss	<u>33</u>	<u>2</u>	<u>99</u>	<u>6</u>
Net periodic pension expense	<u>\$ 53</u>	<u>\$ 0</u>	<u>\$159</u>	<u>\$ 0</u>

The Company made no contributions to the plan for the three and nine month periods ended October 3, 2009.

NOTE E – INCOME TAXES

The provision for income taxes is as follows (in thousands):

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>Oct. 3,</u> <u>2009</u>	<u>Sept. 27,</u> <u>2008</u>	<u>Oct. 3,</u> <u>2009</u>	<u>Sept. 27,</u> <u>2008</u>
Current provision	\$40	\$128	\$133	\$738
Deferred provision	<u>-</u>	<u>9</u>	<u>4,625</u>	<u>53</u>
Total provision	<u>\$40</u>	<u>\$137</u>	<u>\$4,758</u>	<u>\$791</u>

The income tax provisions for the three and nine month periods ended October 3, 2009 were calculated using effective tax rates of 33.1% on ordinary income, excluding the gain on acquisition and 38.95% on the gain on acquisition. The income tax provisions for the three and nine month period ended September 27, 2008, were calculated using effective rates of 35% and 35.8%, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Sales.

The Company's sales increased \$4,585,000 or 43.5%, and \$5,768,000, or 17.7% for the three and nine month periods ended October 3, 2009, respectively, as compared to the three and nine month periods ended September 27, 2008. Sales and sales increases (decreases) by product line for the three and nine month periods ended October 3, 2009 compared to the three and nine month periods ended September 27, 2008 were as follows (in thousands):

<u>Product Line</u>	<u>For the three months ended</u>		
	<u>Oct. 3, 2009</u>	<u>Sept. 27, 2008</u>	<u>Change</u>
Precision Aerospace	\$11,174	\$5,536	\$5,638
Apex Machine Tool	3,368	4,019	(651)
Gros-Ite Spindles	<u>590</u>	<u>992</u>	<u>(402)</u>
Total	<u>\$15,132</u>	<u>\$10,547</u>	<u>\$4,585</u>

<u>Product Line</u>	<u>For the nine months ended</u>		
	<u>Oct. 3, 2009</u>	<u>Sept. 27, 2008</u>	<u>Change</u>
Precision Aerospace	\$24,551	\$16,290	\$8,261
Apex Machine Tool	11,940	13,307	(1,367)
Gros-Ite Spindles	<u>1,854</u>	<u>2,980</u>	<u>(1,126)</u>
Total	<u>\$38,345</u>	<u>\$32,577</u>	<u>\$5,768</u>

Sales for the Precision Aerospace product line increased \$5,638,000, or 101.8%, and \$8,261,000, or 50.7%, for the three and nine month periods ended October 3, 2009, respectively, as compared to the three and nine month periods ended September 27, 2008. The increases were due primarily to the Company's May 27th acquisition of AERO which contributed \$5,386,000 and \$7,755,000, for the three and nine month periods ended October 3, 2009, respectively. Additionally, shipments of certain jet engine parts to our major aerospace customers increased slightly.

Sales for the Apex Machine Tool product line decreased \$651,000, or 16.2% and \$1,367,000, or 10.3%, for the three and nine month periods ended October 3, 2009, respectively, as compared to the three and nine months ended September 27, 2008 due to adverse market conditions.

Sales for the Gros-Ite Spindles product line decreased \$402,000, or 40.5%, and \$1,126,000 or 37.8%, for the three and nine month periods ended October 3, 2009, respectively, as compared to the three and nine month periods ended September 27, 2008 due to adverse market conditions. The Company believes that demand will remain slow for the remainder of 2009.

As of October 3, 2009, the Company's total sales backlog was approximately \$134,000,000 compared to \$52,400,000, as of January 3, 2009. Backlog consists of accepted purchase orders and long-term contracts that are cancelable by the customer without penalty, except for payment of costs incurred. The Company presently expects to complete approximately \$14,000,000 of its October 3, 2009 backlog during the remainder of the 2009 fiscal year. The remaining \$120,000,000 of backlog is deliverable in fiscal year 2010 and beyond. The increase in backlog was mainly due to the acquisition of AERO.

Sales to the Company's principal markets are as follows (in thousands):

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	<u>Oct. 3,</u> <u>2009</u>	<u>Sept. 27,</u> <u>2008</u>	<u>Oct. 3,</u> <u>2009</u>	<u>Sept. 27,</u> <u>2008</u>
Aerospace customers	\$10,728	\$7,248	\$28,736	\$23,435
Non-aerospace customers	<u>4,404</u>	<u>3,299</u>	<u>9,609</u>	<u>9,142</u>
	<u>\$15,132</u>	<u>\$10,547</u>	<u>\$38,345</u>	<u>\$32,577</u>

Sales to aerospace customers increased \$3,480,000, or 48.0%, and \$5,301,000, or 22.6%, for the three and nine month periods ended October 3, 2009, respectively, as compared to the three and nine month periods ended September 27, 2008, due to the inclusion of the sales of the Company's AERO acquisition commencing on May 27, 2009. This was partially offset by the decrease in shipments of tooling and fixtures.

Sales to non-aerospace customers increased \$1,105,000 or 33.5%, for the three month period ended October 3, 2009, as compared to the three month period ended September 27, 2008. Sales to non-aerospace customers increased \$467,000, or 5.1%, for the nine month period ended October 3, 2009, as compared to the nine month period ended September 27, 2008. These increases were primarily due to the inclusion of the sales of the Company's acquisition of AERO commencing on May 27, 2009.

Cost of Sales. Cost of sales as a percentage of sales increased to 88.4% from 86.9%, for the three month period ended October 3, 2009, compared to the three month period ended September 27, 2008. Cost of sales as a percentage of sales increased to 88.2%, from 83.7%, for the nine month period ended October 3, 2009 compared to the nine month period ended September 27, 2008. These increases were due primarily to product mix changes and due to the development costs of emerging programs.

Selling, General & Administrative Expenses. Selling, general and administrative expenses increased approximately \$463,000, or 54.9%, and \$671,000, or 25.1%, for the three and nine month periods ended October 3, 2009, respectively, compared to the three and nine month periods ended September 27, 2008. The increase was mainly the result of additional costs associated with AERO.

Interest Expense. Interest expense increased approximately \$104,000, or 65.1%, and \$114,000, or 23.9% for the three and nine month periods ended October 3, 2009, respectively, compared to the three and nine month periods ended September 27, 2008. These increases were due to increased borrowing levels associated with the acquisition of AERO.

Other Income. The Company recognized a gain on the acquisition of AERO in the amount of \$11,875,000. The gain has been offset by acquisition related expenses in the amount of \$232,000, (\$96,000 of which was recognized in third quarter) as is reflected in Other income for the nine month period.

Income Taxes. The income tax provision for the three and nine month periods ended October 3, 2009, was calculated using an effective tax rate of 33.1% applied to ordinary income, excluding the gain on acquisition, and 38.95% applied to the gain on acquisition. The income tax provision for the three and nine month periods ended September 27,

2008, was calculated using effective tax rates of 35% and 35.8%, respectively.

Liquidity and Capital Resources.

Cash Flow from Operating Activities

	<u>Nine Months Ended</u>	
	<u>Oct. 3,</u>	<u>Sept. 27,</u>
	<u>2009</u>	<u>2008</u>
Net cash flows provided by (used in) operating activities:	\$2,115,000	\$(106,000)

Impacting cash flow for the first nine months of 2009 was cash provided by working capital items in the amount of \$211,000. Exclusive of the Company's acquisitions, working capital cash was primarily provided by accounts payable/accrued expenses, accounts receivable and income tax refunds in the amounts of \$1,742,000, \$1,041,000, and \$525,000, respectively, while cash was used in inventory in the amount of \$3,186,000.

Cash Flow from Investing Activities

	<u>Nine Months Ended</u>	
	<u>Oct. 3,</u>	<u>Sept. 27,</u>
	<u>2009</u>	<u>2008</u>
Net cash flows used in investing activities:	\$(10,341,000)	\$(1,298,000)

Cash used in investing activities reflects the Company's business acquisitions. Total capital expenditures for the remainder of the current fiscal year are targeted at \$750,000.

Cash Flow from Financing Activities

	<u>Nine Months Ended</u>	
	<u>Oct. 3,</u>	<u>Sept. 27,</u>
	<u>2009</u>	<u>2008</u>
Net cash flows provided by (used in) financing activities:	\$7,766,000	\$(642,000)

Cash flows provided by financing activities primarily reflect \$9.5 million of new debt to finance the Company's business acquisition. Also, during the nine months ended October 3, 2009, payments of \$1,968,000 against term debt were partially offset by net borrowings on the lines of credit totaling \$216,000. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2010, unless converted earlier at the option of the Company.

The Company's credit facility with TD Bank, N.A. includes a revolving line of credit, which provides for borrowing up to \$5,000,000, limited to an amount determined by a formula based on percentages of receivables and inventory. Although payable on demand, the revolving line of credit is reviewed annually by the bank and renewed at its discretion. On May 27, 2009, the bank renewed the Company's \$5,000,000 revolving line of credit.

As of October 3, 2009, \$500,000 and approximately \$1,391,000 were outstanding on the revolving line of credit and the equipment line of credit, respectively with \$4,500,000 and approximately \$3,309,000 available for additional borrowings on the revolving line of credit and the equipment line of credit, respectively.

On April 24, 2009, the Company's equipment line of credit with TD Bank, N.A. was amended to provide up to \$4,700,000 for eligible equipment purchases during the period August 1, 2009 through July 31, 2010. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2010, unless converted earlier at the option of the Company, with monthly payments of principal and interest in an amount to amortize the then existing principal balance in 60 equal monthly payments, including interest at the then FHLBB 5 year Regular Amortizing Advance Rate plus 3%.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of the Company's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management's Discussion and Analysis and Note A to the Consolidated Financial Statements in the Company's Annual Report, incorporated by reference in Form 10-K for the Company's fiscal year 2008, describe the significant accounting policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates.

Accounts receivable- The Company evaluates its allowance for doubtful accounts by considering the age of each invoice, the financial strength of the customer, the customer's past payment record and subsequent payments.

Inventories- The Company has specifically identified certain inventory as obsolete or slow-moving and provided a full reserve for these parts. The assumption is that these parts may not be sold. The assumptions and the resulting reserve have been accurate in the past, and are not likely to change materially in the future.

Share-based compensation - Share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the expected option term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield. The Company believes that the

valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

Pension- The Company maintains a defined benefit pension plan. Assumptions used in accounting for the plan include the discount rate and expected rate of return on plan assets. The assumptions are determined based on appropriate market indicators and are evaluated each year as of the Plan's measurement date. A change in either of these assumptions would have an effect on the Company's net periodic benefit cost.

Income Taxes - The Company recognizes deferred tax assets when, based upon available evidence, realization is more likely than not.

All statements other than historical statements contained in this Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Without limitation, these forward looking statements include statements regarding the Company's business strategy and plans, statements about the adequacy of the Company's working capital and other financial resources, statements about the Company's bank agreements, statements about the Company's backlog, statements about the Company's action to improve operating performance, and other statements herein that are not of an historical nature. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside of the Company's control, that could cause actual results to differ materially from such statements. These include, but are not limited to, factors which could affect demand for the Company's products and services such as changes in customer delivery schedules; general economic conditions and economic conditions in the aerospace industry and the other industries in which the Company competes; competition from the Company's competitors; the adequacy of the Company's revolving credit facility and other sources of capital; and other factors discussed in the Company's annual report on Form 10-K for the fiscal year ended January 3, 2009. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for "smaller reporting companies".

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure and procedures

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of October 3, 2009 and, based on this evaluation, concluded that the Company's disclosure controls and

procedures are functioning in an effective manner in that they provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in internal control over financial reporting

No changes in the Company's internal control over financial reporting occurred during the three months ended October 3, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS

- 3.1* EDAC's Amended and Restated Articles of Incorporation
- 3.2* Articles of Amendment to EDAC's Amended and Restated Articles of Incorporation.
- 3.3* EDAC's Amended and Restated By-laws.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.

* Incorporated by reference

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EDAC TECHNOLOGIES CORPORATION

October 30, 2009

By /s/Glenn L. Purple
Glenn L. Purple, Chief Financial
Officer and duly authorized officer

EXHIBIT INDEX

<u>NUMBER</u>	<u>DESCRIPTION</u>
3.1	EDAC's Amended and Restated Articles of Incorporation (1)
3.2	Articles of Amendment to EDAC's Amended and Restated Articles of Incorporation. (2)
3.3	EDAC's Amended and Restated By-laws (3)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.
(1)	Exhibit incorporated by reference to the Company's registration statement on Form S-1 dated August 6, 1985, commission file No. 2-99491, Amendment No.1.
(2)	Exhibit incorporated by reference to the Company's Report on Form 10-Q dated July 30, 2008.
(3)	Exhibit incorporated by reference to the Company's Report on Form 8-K dated February 19, 2002.

* Filed herewith.