

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

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

For the fiscal year ended January 1, 2011

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, Connecticut 06032

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (860) 677-2603

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange
on Which Registered

N/A

N/A

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.0025 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No .

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

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

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

As of July 3, 2010, the aggregate market value of the registrant's Common Stock (based upon the \$4.70 closing price on that date on the NASDAQ Capital Market) held by nonaffiliates (excludes shares reported as beneficially owned by directors and officers — does not constitute an admission as to affiliate status) was approximately \$18,644,251

As of March 10, 2011, there were 4,924,469 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT	Part of Form 10-K Into Which Portions of Document are Incorporated
Annual Report to Shareholders for the fiscal year ended January 1, 2011	Part II
Proxy Statement relating to the 2011 Annual Meeting of Shareholders	Part III

All statements other than historical statements contained in this Annual Report on Form 10-K or deemed to be contained herein due to incorporation by reference to a different document 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 actions to improve operating performance, and other statements herein that are not of a 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 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 Company's ability to reduce costs; the Company's ability to effectively use business-to-business tools on the Internet to improve operating results; and the adequacy of the Company's revolving credit facility and other sources of capital. 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.

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PART I

Item 1. Business.

General

The accompanying consolidated financial statements include EDAC Technologies Corporation (“We”, “Us”, “EDAC” or the “Company”) and its wholly-owned subsidiaries, Gros-Ite Industries and Apex Machine Tool Company, Inc. EDAC was incorporated in Wisconsin in 1985. We provide complete design, manufacture and service meeting the precision requirements of some of the most exacting customers in the world for tooling, fixtures, molds, jet engine components and machine spindles. The Company and its subsidiaries operate as one business segment.

On May 27, 2009, the Company acquired substantially all of the assets and certain liabilities of MTU Aero Engines North America, Inc.’s Manufacturing Business Unit (“AENA”), which manufactures rotating components such as disks, rings and shafts for the aerospace industry. 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 Consolidated Statements of Income beginning as of the effective date of the acquisition.

The \$9.5 million purchase price of AERO was allocated 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 \$11,904,000, after acquisition related expenses of \$257,000. Fair values at the date of acquisition were 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	(3,655)
	<u>\$21,661</u>

On August 10, 2009, the Company acquired substantially all of the assets of Service Network Incorporated, a manufacturer and rebuilder of precision grinders. This business is hereinafter referred to as “SNI”. The \$775,000 purchase price of SNI was allocated as follows (in thousands): Accounts receivable \$215, inventory \$279, prepaid expenses \$9 and machinery and equipment \$272.

On May 14, 2010, the Company acquired certain assets of Accura Technics, LLC (“Accura”). The \$300 purchase price of Accura has been allocated as follows: accounts receivable \$19, inventories \$118 and machinery and equipment \$163.

Products

EDAC AERO produces low pressure turbine cases, hubs, rings, disks and other complex, close tolerance components for all major aircraft engine and ground turbine manufacturers. This product line specializes in turnings and 4 and 5 axis milling of difficult-to-machine alloys such as waspalloy, hastalloy, inconel, titanium, high nickel alloys, aluminum and stainless steels. Its products also include rotating components, such as disks, rings and shafts. Precision assembly services include assembly of jet engine sync rings, aircraft welding and riveting, post-assembly machining and sutton barrel finishing. EDAC

AERO also includes the business of Aero Engine Component Repair, acquired in December 2007, which is engaged in precision machining for the maintenance and repair of selected components in the aircraft engine industry. Geographic markets include the U.S., Canada, Mexico, Europe and Asia, although most of this product line's sales come from the United States.

The Company serves industrial customers through its Apex Machine Tool and EDAC Machinery product lines.

Apex Machine Tool designs and manufactures highly sophisticated fixtures, precision gauges, close tolerance plastic injection molds and precision component molds for composite parts and specialized machinery. A unique combination of highly skilled toolmakers and machinists and leading edge technology has enabled Apex to provide exacting quality to customers who require tolerances to +/- .0001 inches. Geographic markets include the U.S., Canada and Europe, although almost all sales come from the United States.

EDAC Machinery designs, manufactures and repairs all types of precision rolling element bearing spindles including hydrostatic and other precision rotary devices. Custom spindles are completely assembled in a Class 10,000 Clean Room and are built to suit any manufacturing application up to 100 horsepower and speeds in excess of 100,000 revolutions per minute. EDAC Machinery's repair service can recondition all brands of precision rolling element spindles, domestic or foreign. With the acquisition of (SNI), the Company added the manufacture and service of precision grinders to its spindle product line. The spindle product line serves a variety of customers: machine tool manufacturers, special machine tool builders and integrators, industrial end-users, and powertrain machinery manufacturers and end-users. Geographic markets include the U.S., Canada, Mexico, Europe and Asia, although sales come primarily from the United States.

EDAC is AS9100:2004 and ISO 14001:2004 Certified. EDAC Machinery is AS9100:2008 Certified.

We currently offer design and manufacturing services for a wide range of industries in areas such as special tooling, equipment and gauges, and components used in the manufacture, assembly and inspection of jet engines. We also specialize in the design and repair of precision spindles. Spindles are an integral part of numerous machine tools which are found in virtually any type of manufacturing environment. We have introduced new spindle proprietary products for the woodworking and automotive markets, and in July 2003, we entered into an exclusive worldwide licensing agreement to develop, design, manufacture and market a patented hydrostatic spindle product line.

We maintain manufacturing facilities with computerized, numerically controlled machining centers, and grinding, welding, painting and assembly capabilities. Products manufactured by us include precision rings, and other components for jet engines, industrial spindles and specialized machinery designed by us or others and other assemblies requiring close tolerances.

Patents and Trademarks

We currently hold no patents or registered trademarks, tradenames or similar intellectual property. We believe that the nature of our business presently does not require the development of patentable products or registered tradenames or trademarks.

Marketing and Competition

The Company developed its high skill level by serving the aerospace industry for over 50 years. For the fiscal year ended January 1, 2011, sales to United Technologies Corporation amounted to approximately 44% of our net sales. We provide a range of components, tooling, fixtures and design services for this aerospace company. Although, we have expanded our commitment to serving the manufacturing needs of a broad base of industrial customers, the loss of this customer, or a significant decrease in the amount of business we do with this customer, could have a material adverse effect on our business.

The competition for design, manufacturing and service in precision machining and machine tools consists of independent firms, many of which are smaller than we are. We believe that this allows us to bring a broader spectrum of support to our customers who are consistently looking for ways to consolidate their vendor base. We also compete against the in-house manufacturing and service capabilities of our larger customers. We believe that the trend by large manufacturers to outsource activities that are outside their core competency is an opportunity for us.

The market for our products and precision machining capabilities continues to change with the development of more sophisticated use of business-to-business tools on the internet. We are actively involved in securing new business leads on the internet and have participated in internet auctions and research for quoting opportunities.

We believe that we have a distinct competitive advantage through our ability to provide high quality, high precision, quick turnaround support to customers from design to delivery. Our experience and reputation in the demanding aerospace business provides an extra level of expertise in meeting our customers' requirements. We believe our commitment to continuous improvement and the latest technology will generate the productivity improvements required to respond to the increasing price pressure of the competitive marketplace in which we operate.

Backlog

Our backlog as of January 1, 2011, was approximately \$138,300,000 compared to \$125,900,000 as of January 2, 2010. The increase is primarily due to increased orders in all product lines. Backlog consists of accepted purchase orders that are cancelable or may be rescheduled by the customer without penalty, except for payment of costs incurred, and may involve delivery times that extend over periods as long as three years. We presently expect to complete approximately \$64,000,000 of our January 1, 2011 backlog during the 2011 fiscal year.

We maintain a website with the address www.edactechologies.com. We are not including the information contained on our website as part of, or incorporating it by reference into, this Annual Report on Form 10-K.

Employees

As of March 1, 2011, we had approximately 384 employees.

Item 1A. Risk factors.

Our business, operating results, financial condition and cash flows can be impacted by a number of factors, including but not limited to those set forth below, any one of which could cause our actual results to vary materially from recent results.

For a discussion of other matters which may affect our financial condition, results of operations or cash flows, see the further discussions in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2010 Annual Report.

We depend on revenues from a small number of significant customers. Any loss, cancellation, reduction or delay in purchases by these customers could harm our business.

Our largest customer accounted for 44% of our net sales during fiscal 2010. Our success will depend on our continued ability to develop and manage relationships with this and other significant customers. Some of our customers could in the future shift some or all of their purchases from us to our competitors, or to other sources, or bring such business in-house. The loss of one or more of our largest customers, a significant reduction or delay in sales to one or more of these customers, an inability to successfully develop relationships with new customers, or future price concessions we could make to retain customers could significantly reduce our sales and profitability.

Our financial performance is dependent on the conditions of the aerospace industry.

Sales to our aerospace customers, which generated 77% of our revenues in 2010, are directly tied to the economic conditions in the commercial aviation and defense industries. The aviation industry is cyclical, and capital spending by airlines and aircraft manufacturers may be influenced by a wide variety of factors including current and predicted traffic levels, load factors, aircraft fuel pricing, labor issues, competition, the retirement of older aircraft, regulatory changes, terrorism and related safety concerns, general economic conditions, worldwide airline profits and backlog levels. Also, since a significant portion of the backlog for commercial customers is scheduled for delivery beyond 2011, changes in economic conditions may cause customers to request that firm orders be rescheduled or canceled. A reduction in capital spending in the aviation or defense industries could have a significant effect on the sales of our EDAC Aero and Apex Machine Tool product lines, which could have an adverse effect on our financial performance or results of operations.

Additionally, during a downturn in the cyclical aviation industry, there is substantial pressure on suppliers like us from OEMs in the aerospace industry to reduce prices on new orders. We attempt to manage such downward pricing pressure, while trying to preserve our business relationships with our customers, by seeking to reduce our production costs through various measures, including purchasing raw materials and components at lower prices and implementing cost reduction strategies. If we were unable to offset OEM price reductions, our profitability and cash flows could be adversely affected.

Further, the consolidation and combination of defense or other manufacturers may eliminate customers from the industry and/or put downward pricing pressures on sales of component parts. For example, the consolidation that has occurred in the defense industry in recent years has significantly reduced the overall number of defense contractors in the industry. In addition, if one of our customers is acquired or merged with another entity, the new entity may discontinue using us as a supplier because of an existing business relationship of the acquiring company or because it may be more efficient to consolidate certain suppliers within the newly formed enterprise. The significance of the impact that such consolidation may have on our business is difficult to predict because we do not know when or if one or more of our customers will engage in merger or acquisition activity. However, if such activity involved our material customers it could materially impact our revenues and profitability.

The aerospace industry is highly competitive, and this competition could reduce our profitability or limit our ability to grow.

The aerospace industry is highly competitive. We compete with many U.S. and non-U.S. companies as well as the in-house manufacturing and service capabilities of large manufacturers, some of which may benefit from lower labor costs than ours. We compete primarily based on product qualifications, service and price. Certain competitors are larger than we are or are subsidiaries of larger entities and may be better able to manage costs than us or may have greater financial resources than we have. Due to the competitiveness in the aerospace industry, we may not be able to increase prices for our products to cover increases in our costs, or we may face pressure to reduce prices, which could materially reduce our revenues, gross margin and profitability. Competitive factors, including changes in market penetration, increased price competition and the introduction of new products and technology by existing and new competitors could result in a material reduction in our revenues and profitability.

We may not realize all of the sales expected from our existing EDAC Aero backlog.

There is an ongoing risk that aerospace orders may be cancelled or rescheduled due to fluctuations in our customers' business needs and market conditions. We consider backlog to be firm customer orders for future delivery. Certain of our customers have the right to terminate, reduce or defer firm orders that we have in backlog. If a customer terminates or reduces firm orders, we are able to invoice for work performed, but our future sales would be adversely affected.

Also, the realization of sales from new and existing programs of all of our customers is inherently subject to a number of important risks and uncertainties, including whether our customers will execute the launch of product programs on time, or at all, and the number of units that our customers will actually produce.

We maintain a frozen defined benefit pension plan.

Declines in the stock market and prevailing interest rates could cause an increase in our pension benefit expenses in the future and result in reductions in our pension fund asset values and increases in our pension benefit obligations. These changes could cause a reduction in our net worth and may require us to make higher cash contributions to our pension plan in the future.

Any product liability claims in excess of insurance could adversely affect our financial condition.

There are potential product liability risks that are inherent in the design, manufacture and sale of certain of our products. While we believe that our liability insurance is adequate to protect us from these liabilities, our insurance may not cover all liabilities. Any material liability not covered by insurance could have a material adverse effect on our financial condition, results of operations and cash flows.

We depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects.

Our business is managed by a small number of key executive officers, including Dominick A. Pagano and Glenn L. Purple. Our future success will depend on, among other things, our ability to keep the services of these executives and to hire other highly qualified employees at all levels. We compete with other potential employers for employees, and we may not be successful in hiring and retaining executives and other skilled employees that we need. Our ability to successfully execute our business strategy, market and develop our products and serve our customers could be adversely affected by a shortage of available skilled employees or executives.

We face costs and risks associated with maintaining effective internal control over financial reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404") requires our management to include in our annual reports on Form 10-K, their report on the operating effectiveness of the Company's internal controls over financial reporting. The process of maintaining and evaluating the effectiveness of our internal control over financial reporting requires us to incur expense and to devote resources on an on-going basis.

In the event that our management or our independent registered public accounting firm determine that our internal control over financial reporting is not effective as defined under Section 404, we could be subject to regulatory scrutiny and a loss of confidence among our current and potential shareholders and customers in our financial reporting and disclosure, which could adversely affect our business.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following table describes the location and general character of our principal plants and other materially important physical properties. The property at 275 Richard Street was acquired as a part of the AERO acquisition. The properties at 1790 and 1798 New Britain Avenue were renovated in 1997 to improve production, increase capacity and improve the appearance of both the interior and exterior. A portion of the facility at 21 Spring Lane that had previously been used as warehouse space, was reconditioned in the first quarter of 2006 and is currently being used as manufacturing area.

Address	Square Feet	Owned or Leased	Principal Activity
1790 New Britain Ave. Farmington, CT. 06032	47,000	Owned (1)	Manufacturing Design engineering services
1798 New Britain Ave. Farmington, CT. 06032	20,800	Owned (1)	Design and manufac- ture of spindles
1806 New Britain Ave. Farmington, CT. 06032	19,200	Owned (1)	Manufacturing Corporate offices
21 Spring Lane Farmington, CT. 06032	44,000	Owned (1)	Manufacturing Warehouse
35 Holland Dr. Newington, CT 06111	14,400	Owned	Repair
275 Richard Street Newington, CT 06111	44,000	Owned (1)	Manufacturing
36 Sword Street Auburn, MA 01501	18,300	Leased	Manufacturing

(1) Property subject to mortgage securing certain corporate indebtedness.

Item 3. Legal Proceedings.

We are not a party to any material pending legal proceedings.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Information in response to this item is incorporated herein by reference to “Market Information” on pages 4 through 5 of our 2010 Annual Report to Shareholders. The information required by Item 5 with respect to securities authorized for issuance under equity compensation plans is set forth in Part III, Item 12 of this Form 10-K

Item 6. Selected Financial Data.

Information in response to this item is incorporated herein by reference to “Selected Financial Information” on page 6 of our 2010 Annual Report to Shareholders.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Information in response to this item is incorporated herein by reference to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 7 through 12 of our 2010 Annual Report to Shareholders.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk.

Not required under Regulation S-K for “smaller reporting companies”

Item 8. Financial Statements and Supplementary Data.

Information in response to this item is incorporated herein by reference to pages 13 through 33 of our 2010 Annual Report to Shareholders.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended, the Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, evaluated the effectiveness of the Company’s disclosure controls and procedures as of January 1, 2011. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on this evaluation, the Company’s management 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 Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms and that it is accumulated and communicated to our management, including the Company's Chief Executive Officer, and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting.

There has been no change in the Company's internal control over financial reporting during the Company's fiscal year ended January 1, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Management on Internal Control Over Financial Reporting.

The management of EDAC is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management has assessed the effectiveness of EDAC's internal control over financial reporting as of January 1, 2011. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in Internal Control-Internal Framework. Management concluded that based on its assessment, EDAC maintained effective internal control over financial reporting as of January 1, 2011.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information in response to this item is incorporated herein by reference to "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement for our 2011 Annual Meeting of Shareholders ("EDAC's 2011 Proxy Statement"), which will be filed within 120 days after the end of our fiscal year ended January 1, 2011.

We have adopted a written code of ethics that applies to all of our employees and directors, including but not limited to, our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our code of ethics is publicly available at our website at www.edactechnologies.com/investor/ and is also available without charge by writing to: Glenn L. Purple, Secretary, EDAC Technologies Corporation, 1806 New Britain Avenue, Farmington, Connecticut 06032.

Item 11. Executive Compensation.

Information in response to this item is incorporated herein by reference to “Executive Compensation” in EDAC’s 2011 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information in response to this item is incorporated herein by reference to “Security Ownership” in EDAC’s 2011 Proxy Statement.

The following table sets forth certain information regarding our equity compensation plans as of January 1, 2011.

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	458,851	\$ 3.22	41,149
Equity compensation plans not approved by security holders (2)	408,667(3)	\$ 5.60	16,266(4)
Total	867,518	\$ 4.34	57,415

(1) Consists of the 2008 Equity Incentive Plan. The Plan provides for the grant of incentive stock options, as defined under Section 422 of the Internal Revenue Code of 1986, as amended, to employees and nonqualified stock options to employees and directors. The Plan is administered by the Compensation Committee of the Company’s Board of Directors. Options are generally granted for a term of five or ten years. The exercise price of options granted under the Plan must not be less than the fair market value of the Company’s common stock on the date of grant.

(2) Consists of the following equity compensation plans: the 2000 Employee Stock Option Plan (the “2000 Plan”) and the 2000-B Employee Stock Option Plan (the “2000-B Plan”), (collectively, the “Plans”). Each of the Plans provide for the grant of stock options to any director, officer or employee of the Company or any of its subsidiaries. The 2000 Plan also

provides for the grant of stock options to consultants of the Company and its subsidiaries. Each of the Plans is administered by the Compensation Committee of the Company's Board of Directors. Options are generally granted for a term of five or ten years. The exercise price of options granted under each of the Plans must not be less than the fair market value of the Company's common stock on the date of grant. The 2000 Plan and the 2000-B Plan each provide for the issuance of up to 300,000 and 500,000 shares of common stock, respectively, upon the exercise of options granted under such plans.

- (3) Consists of outstanding options to purchase 180,000 shares under the 2000 Plan and 228,667 shares under the 2000-B Plan.
- (4) Includes 5,500 shares issuable under the 2000 Plan and 10,766 shares issuable under the 2000-B Plan.

Item 13. Certain Relationships and Related Transactions and Director Independence.

There are no related party transactions to report. The information required by Item 13 with respect to Director Independence is incorporated herein by reference to "Board and Committee Meetings and Related Matters" in EDAC's 2011 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

Information in response to this item is incorporated herein by reference to "Fees of Independent Auditors" in EDAC's 2011 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents filed as a part of this report:

1. Financial Statements.

The financial statements required to be filed by Item 8 hereof have been incorporated by reference to our 2010 Annual Report to Shareholders and consist of the following:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets—As of January 1, 2011 and January 2, 2010.

Consolidated Statements of Income—Fiscal Years Ended January 1, 2011 and January 2, 2010.

Consolidated Statements of Cash Flows—Fiscal Years Ended January 1, 2011 and January 2, 2010.

Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income (Loss)—Fiscal Years Ended January 1, 2011 and January 2, 2010.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedule.

The following financial statement schedule of EDAC is required to be filed by Item 8 hereof and paragraph (c) below:

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

Schedule II: Valuation and qualifying accounts

All other schedules for which provisions are made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Exhibits

(b) Exhibits

See Exhibit Index included as the last part of this report on Form 10-K, which Index is incorporated herein by this reference.

(c) Financial Statement Schedules

Refer to Item 14(a) above for listing of financial statement schedules.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON
FINANCIAL STATEMENT SCHEDULE**

To the Shareholders and Board of Directors of
EDAC Technologies Corporation

We have audited the consolidated financial statements of EDAC Technologies Corporation and subsidiaries (the "Company") as of January 1, 2011 and January 2, 2010, and for the years then ended, and have issued our report thereon dated March 11, 2011, such consolidated financial statements and report are included in the Company's annual report to shareholders for the fiscal year ended January 1, 2011 and are included herein. Our audits also included the financial statement schedule of the Company listed in item 15. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements as of January 1, 2011 and January 2, 2010, and for the years then ended, taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ CCR LLP

Glastonbury, Connecticut
March 11, 2011

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
EDAC TECHNOLOGIES CORPORATION AND SUBSIDIARIES

COL. A	COL. B	COL. C		COL. D	COL. E
DESCRIPTION	Balance at Beginning of Year	Charged to Costs and Expenses	ADDITIONS Charged to Other Accounts-Describe	Deductions Describe	Balance at End of Year
YEAR ENDED JANUARY 1, 2011:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	\$248,994	\$ 70,649	\$ 0	(1) \$198,254	\$121,389
Allowance for excess and obsolete inventories	0	35,677	0	0	35,677
YEAR ENDED JANUARY 2, 2010:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	186,000	159,553	0	(1) 96,559	248,994
Allowance for excess and obsolete inventories	644,402	16,670	0	(2) 661,072	0

(1) Write-off of specific accounts receivable.

(2) Disposition of inventory reserved against, including \$655,325 reclassified as a direct write-off to inventory in connection with filing of the tax return for the year ended January 2, 2010.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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

By: /s/ Dominick A. Pagano

Dominick A. Pagano
President and Chief Executive Officer

Date: March 11, 2011

Each person whose signature appears below hereby appoints Dominick A. Pagano and Glenn L. Purple, and each of them individually, his true and lawful attorney-in-fact, with power to act with or without the other and with full power of substitution and resubstitution, in any and all capacities, to sign any and all amendments to the Form 10-K and file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Dominick A. Pagano</u> Dominick A. Pagano	President, Chief Executive Officer and Director (Principal Executive Officer)	March 11, 2011
<u>/s/ Glenn L. Purple</u> Glenn L. Purple	Chief Financial Officer, Vice President-Finance and Secretary (Principal Financial and Accounting Officer)	March 11, 2011
<u>/s/ Lee K. Barba</u> Lee K. Barba	Director	March 11, 2011
<u>/s/ Joseph P. Lebel</u> Joseph P. Lebel	Director	March 11, 2011
<u>/s/ John A. Rolls</u> John A. Rolls	Director	March 11, 2011
<u>/s/ Ross C. Towne</u> Ross C. Towne	Director	March 11, 2011
<u>/s/ Daniel C. Tracy</u> Daniel C. Tracy	Director, Chairman of the Board	March 11, 2011

EXHIBIT INDEX

<u>Exhibit Number</u>		<u>Sequential Page Number</u>
2.1	Asset Purchase Agreement, dated May 18, 2009, by and between EDAC and MTU Aero Engines North America, Inc.	(14)
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	(13)
3.3	EDAC's Amended and Restated By-Laws	(4)
4.1	EDAC's Amended and Restated Articles of Incorporation	(1)
4.2	Articles of Amendment to EDAC's Amended and Restated Articles of Incorporation	(13)
4.3	Sections of EDAC's By-Laws	(4)
10.1	Gros-lte division Pension Plan	(1)
10.2	EDAC Technologies Corporation 2000 Stock Option Plan	(2)
10.3	EDAC Technologies Corporation 2000-B Stock Option Plan	(2)
10.4	Loan Agreement dated February 5, 2001 by and between Farmington Savings Bank and EDAC.	(3)
10.5	Commercial Mortgage Note dated February 5, 2001 by and between Farmington Savings Bank and EDAC.	(3)
10.6	Open-End Mortgage Deed and Security Agreement dated February 5, 2001 by and between Farmington Savings Bank and EDAC.	(3)
10.7	Environmental Indemnification Agreement dated February 5, 2001 by and between Farmington Savings Bank and EDAC.	(3)
10.8	Form of Agreements regarding Indemnification between EDAC and each of its directors and executive officers.	(5)
10.9	Note and Mortgage Modification Agreement by and between EDAC and Farmington Savings Bank dated October 15, 2003	(6)
10.10	Loan Agreement by and between EDAC, Apex and Banknorth N.A. dated March 5, 2004.	(7)
10.11	Term Note by and between EDAC, Apex and Banknorth N.A. dated March 5, 2004.	(7)

<u>Exhibit Number</u>		<u>Sequential Page Number</u>
10.12	Open-End Mortgage, Commercial Mortgage, Security Agreement and Assignment of Leases and Rents by and between Banknorth N.A and EDAC dated March 5, 2004.	(7)
10.13	Open-End Mortgage, Commercial Mortgage, Security Agreement and Assignment of Leases and Rents by and between Apex and Banknorth N.A dated March 5, 2004.	(7)
10.14	Hazardous Substance Certificate and Indemnification Agreement by and between EDAC, Apex and Banknorth N.A. dated March 5, 2004.	(7)
10.15	Promissory Note dated as of December 28, 2005 by and among EDAC, Apex Machine Tool Company, Inc., Gros-Ite Industries, Inc. and Banknorth, N.A.	(8)
10.16	Commercial Security Agreement dated as of December 28, 2005 by and among EDAC, Apex Machine Tool Company, Inc., Gros-Ite Industries, Inc. and TD Banknorth, N.A.	(8)
10.17	Promissory Note dated as of April 4, 2006 by and among EDAC, Apex Machine Tool Company, Inc., Gros-Ite Industries, Inc. and TD Banknorth, N.A.	(9)
10.18	Amended and Restated Employment Agreement dated as of February 12, 2007 between EDAC and Dominick Pagano	(10)
10.19	Employment Agreement dated as of February 12, 2007 between EDAC and Luciano M. Melluzzo	(10)
10.20	Employment Agreement dated as of February 12, 2007 between EDAC and Glenn L. Purple	(10)
10.21	Change in Terms Agreement dated July 26, 2006, changing the Equipment Loan Note by and between EDAC and TD Banknorth, N.A.	(12)
10.22	Term Note dated as of October 27, 2006 by and among EDAC, Apex Machine Tool Company, Inc., Gros-Ite Industries, Inc. and TD Banknorth, N.A.	(11)
10.23	Term Note dated as of July 18, 2007 by and among EDAC, Apex Machine Tool Company, Inc. Gros-Ite Industries, Inc. and TD Banknorth, N.A.	(12)
10.24	EDAC Technologies Corporation 2008 Equity Incentive Plan	(13)
10.25	Credit Agreement , dated as of May 27, 2009, by and among EDAC, Gros-Ite, Apex and TD Bank, N.A.	(14)

<u>Exhibit Number</u>	<u>Sequential Page Number</u>
10.26 Security Agreement, dated as of May 27, 2009, by and between EDAC, Gros-Ite, Apex and TD Bank, N.A.	(14)
10.27 Term Note, dated as of May 27, 2009, by and among EDAC, Gros-Ite, Apex and TD Bank, N.A.	(14)
10.28 Revolving Credit Note, dated as of May 27, 2009, by and among by and among EDAC, Gros-Ite, Apex and TD Bank, N.A.	(14)
10.29 Mortgage Note, dated as of May 27, 2009, by and among EDAC, Gros-Ite, Apex and TD Bank, N.A.	(14)
10.30 Open-End Mortgage Deed and Security Agreement, dated as of May 27, 2009, by and between EDAC and TD Bank N.A.	(14)
10.31 Environmental Indemnity Agreement, dated as of May 27, 2009, by and between EDAC, Gros-Ite, Apex and TD Bank, N.A.	(14)
10.32 Secured Promissory Note, dated as of May 27, 2009, by EDAC in favor of MTU Aero Engines North America, Inc.	(14)
10.33 Amended and Restated Employment Agreement dated as of January 14, 2010 between EDAC and Dominick Pagano	(15)
11 Earnings per share information has been incorporated by reference to EDAC's 2010 Annual Report to Shareholders	
13* EDAC's 2010 Annual Report to Shareholders	
14 EDAC Technologies Corporation Code of Ethics	(6)
21* Subsidiaries	
23.1* Consent of CCR LLP	
31.1* Certification of Chief Executive Officer pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as amended.	
31.2* Certification of Chief Financial Officer pursuant to Rule 13a-14 (a) of 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 Annual Report on Form 10-K for the year ended December 30, 2000.
- (3) Exhibit incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
- (4) Exhibit incorporated by reference to the Company's Current Report on Form 8-K dated February 19, 2002.
- (5) Exhibit incorporated by reference to the Company's Quarterly Report on Form 10-Q dated June 30, 2002.
- (6) Exhibit incorporated by reference to the Company's Annual Report on Form 10-K for the year ended January 3, 2004.
- (7) Exhibit incorporated by reference to the Company's Quarterly Report on Form 10-Q dated April 3, 2004.
- (8) Exhibit incorporated by reference to the Company's Current Report on Form 8-K dated December 29, 2005.
- (9) Exhibit incorporated by reference to the Company's Current Report on Form 8-K dated April 5, 2006.
- (10) Exhibit incorporated by reference to the Company's Current Report on Form 8-K dated February 16, 2007.
- (11) Exhibit incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 30, 2006.
- (12) Exhibit incorporated by reference to the Company's Quarterly Report on Form 10-Q dated September 29, 2007.
- (13) Exhibit incorporated by reference to the Company's Quarterly Report on Form 10-Q dated June 28, 2008.
- (14) Exhibit incorporated by reference to the Company's Report on Form 8-K dated May 27, 2009.
- (15) Exhibit incorporated by reference to the Company's Report on Form 8-K dated January 14, 2010.

* Filed herewith

EDAC Technologies Corporation
Annual Report
2010

To Our Shareholders:

In 2010, we continued our efforts to expand EDAC's range of products, diversify our customer base and improve our processes. Sales reached \$73.1 million in 2010, an increase of \$18.4 million or 34% from 2009, of which \$8.5 million was derived from organic growth. Our results benefitted from a full year of sales of the AERO and SNI acquisitions, which were completed during 2009, and our Apex Machine Tool and EDAC Machinery product lines delivered strong top-line growth. Operating profit increased \$0.7 million to \$1.8 million, or 63% over 2009. These increases reflect the strengthening of our markets and our ability to penetrate them.

Our January 1, 2010, we organized our aerospace operations into a single product line, EDAC AERO, combining Precision Components, including its repair unit, and AERO, which has resulted in a better ability to market and to serve our Aerospace customers.

While we made solid progress in 2010, we encountered operational challenges that had to be addressed as the year progressed. The first challenge was difficulties in the initial production runs of certain newly developed parts on a large aerospace order. These difficulties resulted in losses on the project in the third and fourth quarters. We developed an improvement plan for the process and also are seeing a ramp-up in production volume, and we believe these factors will result in profitable production runs of these parts in the near future.

The second challenge was the start up of the SNI operation in a difficult economy. After moving the operation to a new facility in Auburn, Massachusetts in the second quarter and setting up for production, SNI's customers, still unsure of the economy, were reluctant to place orders for capital equipment. Orders for SNI grinders began to come late in the third quarter and we were able to produce some of those orders in the fourth quarter.

We continued to invest in developmental parts for United Technologies Corporation's jet engine for the Joint Strike Fighter and also for other new engine programs including the LEAP-X and Geared Turbofan (GTF) in 2010. While these investments resulted in the need to absorb additional costs during the year, they have expanded our capabilities and provided a solid platform for future profitable growth. Our backlog in the EDAC AERO product line continued to increase, growing from \$118.8 million to \$129.6 million at year-end.

I am very optimistic about 2011 and our long-term future. We began the new year with total backlog of \$138.3 million compared with \$125.9 million at the start of 2010. Markets that we serve have recently improved over 2010 and recent announcements in the jet engine market are very encouraging. Additionally, we recently received a letter of intent from a major European jet engine manufacturer to proceed with the tooling needed to support a multi-year agreement to supply eight engine parts for a

commercial airliner program. This agreement is valued at approximately \$36 million over a 5-year term. We also have achieved a strong increase in our shipment volume of products including stator assemblies and expect increased volume in more than a dozen new parts that we introduced last year, provided that we perform against schedule. Among these new parts are cases for the Gen X and GE-38 engines, stators for Pratt & Whitney's TF 33 engine, and Geared Turbo fan structural assemblies for the Mitsubishi regional jet and Boeing aircraft.

During 2010, we replaced our ERP management information systems across the Company to standardize our system and to improve our management tools. In 2011, we will be making new investments in machinery and equipment targeted at \$3.4 million, to position ourselves to further capitalize on emerging programs. We evaluated many acquisition opportunities in 2010, but none met our very selective criteria. We will only pursue opportunities that we believe will strategically complement our businesses and increase value to our shareholders.

As recently as five years ago, EDAC was producing aerospace parts for a single client and a single engine used in power generation. Today, we have a wider range of major customers and we are producing parts for over ten major engine programs. To position EDAC to serve these growing markets, we have made investments that sometimes required us to forego short-term profits in the interest of growing our longer-term opportunities. We believe that, in the long run, this strategy will serve EDAC well.

We are determined to build on our strengths to achieve long-term profitable growth for your Company. Our employees, management and directors are committed to operational excellence, extraordinary customer service and the highest ethical standards. We will continue to invest in our people and in state-of-the-art machinery and equipment. We are prepared and positioned to seize opportunities. We believe that the future of your Company is very bright.

Sincerely yours,

/s/ Dominick A. Pagano

Dominick A. Pagano
President and Chief Executive Officer

EDAC TECHNOLOGIES: ORGANIZATION AND MISSION

EDAC Technologies Corporation (“EDAC” or “the Company”), founded in 1946, is a diversified public corporation that designs, manufactures and services precision components for aerospace and industrial applications. EDAC operates as one company offering three major product lines: EDAC AERO, Apex Machine Tool and EDAC Machinery.

The Company’s manufacturing services to the aerospace sector, represented by its EDAC AERO product line, include the design, manufacture and servicing of components for commercial and military aircraft, in such areas as jet engine parts, special tooling, equipment, gauges and components used in the manufacture, assembly and inspection of jet engines and other aircraft systems.

EDAC expanded its products and services to the aerospace sector with the acquisition on May 27, 2009, of certain assets of MTU Aero Engines North America Inc.’s manufacturing Business Unit (“AERO”). AERO primarily manufactures rotating components, such as disks, rings and shafts, for the aerospace industry. Consistent with the Company’s long-term strategic plans of achieving growth through both organically and through targeted acquisitions, the AERO transaction added complementary product lines, expanded EDAC’s customer base, and contributed to the diversification of its core aerospace business into adjacent markets.

Effective January 1, 2010, all of the Company’s aerospace operations were combined into a single product line to better serve customers, align resources and simplify market positioning. The combined product line, renamed EDAC AERO, includes the Company’s Precision Aerospace, AERO and Aero Engine Component Repair product lines.

EDAC AERO produces low pressure turbine cases, hubs, rings, disks and other complex, close tolerance components for all major aircraft engine and ground turbine manufacturers. This product line specializes in turnings and 4 and 5 axis milling of difficult-to-machine alloys such as wasp alloy, hastalloy, inconel, titanium, high nickel alloys, aluminum and stainless steels. Its products also include rotating components, such as disks, rings and shafts. Precision assembly services include assembly of jet engine sync rings, aircraft welding and riveting, post-assembly machining and sutton barrel finishing. EDAC AERO also includes the business of Aero Engine Component Repair, acquired in December 2007, which is engaged in precision machining for the maintenance and repair of selected components in the aircraft engine industry. Geographic markets include the U.S., Canada, Mexico, Europe and Asia, although most of this product line’s sales come from the United States.

The Company serves industrial customers through its Apex Machine Tool and EDAC Machinery product lines.

Apex Machine Tool designs and manufactures highly sophisticated fixtures, precision gauges, close tolerance plastic injection molds and precision component molds for composite parts and specialized machinery. A unique combination of highly skilled toolmakers and machinists and leading edge technology has enabled Apex to provide exacting quality to customers who require tolerances to +/- .0001 inches. Geographic markets include the U.S., Canada and Europe, although almost all sales come from the United States.

EDAC Machinery designs, manufactures and repairs all types of precision rolling element bearing spindles including hydrostatic and other precision rotary devices. Custom spindles are completely assembled in a Class 10,000 Clean Room and are built to suit any manufacturing application up to 100 horsepower and speeds in excess of 100,000 revolutions per minute. EDAC Machinery repair service can recondition all brands of precision rolling element spindles, domestic or foreign. On August 10, 2009, the Company acquired substantially all of the assets of Service Network Inc. (SNI), adding the manufacture and service of precision grinders to its Machinery product line. On May 14, 2010, the Company acquired certain assets of Accura Technics, LLC (“Accura”) expanding the Company’s range of precision grinding applications. The spindle product line serves a variety of customers: machine tool manufacturers, special machine tool builders and integrators, industrial end-users, and powertrain machinery manufacturers and end-users. Geographic markets include the U.S., Canada, Mexico, Europe and Asia, although sales come primarily from the United States.

EDAC is AS9100:2004 and ISO 14001:2004 Certified. EDAC Machinery is AS9100:2008 Certified.

Mission

The mission of EDAC is to be the company of choice for customers, shareholders, employees and the community at large. We believe that this can be achieved by being flexible and responsive, providing customers with benchmark

quality, service and value, providing shareholders superior return on their investment, developing a world class working environment for employee health, safety, security and career growth, and acting as a good corporate citizen through support of the local community and charities.

EDAC's long-term strategy to enhance shareholder value is based on pursuing profitable growth both organically and through selected acquisitions. This strategy is intended to expand the Company's range of products and services, increase its business with existing customers, and add new customer relationships.

MARKETING AND COMPETITION

EDAC designs, manufactures and services tooling, fixtures, molds, jet engine components and machine spindles, satisfying the highest precision requirements of some of the most exacting customers in the world. This high skill level has been developed through more than 50 years of involvement with the aerospace industry. In the aerospace market, EDAC has been actively pursuing qualification as a supplier of products to the military. Beyond aerospace, EDAC continues to expand its manufacturing services to a broad base of industrial customers.

Most of the competition for design, manufacturing and service in precision machining and machine tools comes from independent firms, many of which are smaller than EDAC. This point of difference often gives us an advantage in that we can bring a broader spectrum of support to customers who are constantly looking for ways to consolidate their vendor base. We also compete against the in-house manufacturing and service capabilities of larger customers. We believe that the trend of these large manufacturers is to outsource activities beyond their core competencies, which presents us with opportunities.

The market for our products and precision machining capabilities continues to change with the development of more sophisticated use of business-to-business tools on the internet. We are actively involved in securing new business leads through the web and have participated in internet auctions and research for quoting opportunities. Moreover, the sales and marketing team at EDAC has developed an updated website (www.edactechnologies.com) with interactive tools to make it easier for customers to do business with us.

EDAC's competitive advantage is enhanced not only by the extra level of expertise gained through our experience in the aerospace industry, but also by our ability to provide customers with high quality, high precision, and quick turnaround support, from design to delivery. We believe that this comprehensive end-to-end service capability sets us apart. It is also indicative of our commitment to seek continuous improvement and utilization of the latest technology. Such commitment, we believe, will boost our productivity and make us ready to respond effectively to the increasing price pressure in a very competitive marketplace. To maintain and strengthen its competitive position, EDAC will continue to invest in improvements to its capacity to provide advanced in-house design and engineering capabilities, and facilities equipped with the latest enabling machine tools and manufacturing technologies.

MARKET INFORMATION

The Company's Common Stock trades on The Nasdaq Capital Market under the symbol: "EDAC".

High and low sales prices per share during each fiscal quarter of the past two fiscal years were as follows:

	2010		2009	
	High	Low	High	Low
First Quarter	\$3.74	\$2.71	\$1.97	\$1.20
Second Quarter	6.80	3.48	4.32	1.76
Third Quarter	5.49	3.19	5.00	3.18
Fourth Quarter	4.52	2.96	4.75	3.03

The information provided above reflects inter-dealer prices, without retail mark-ups, markdowns or commissions and may not represent actual transactions.

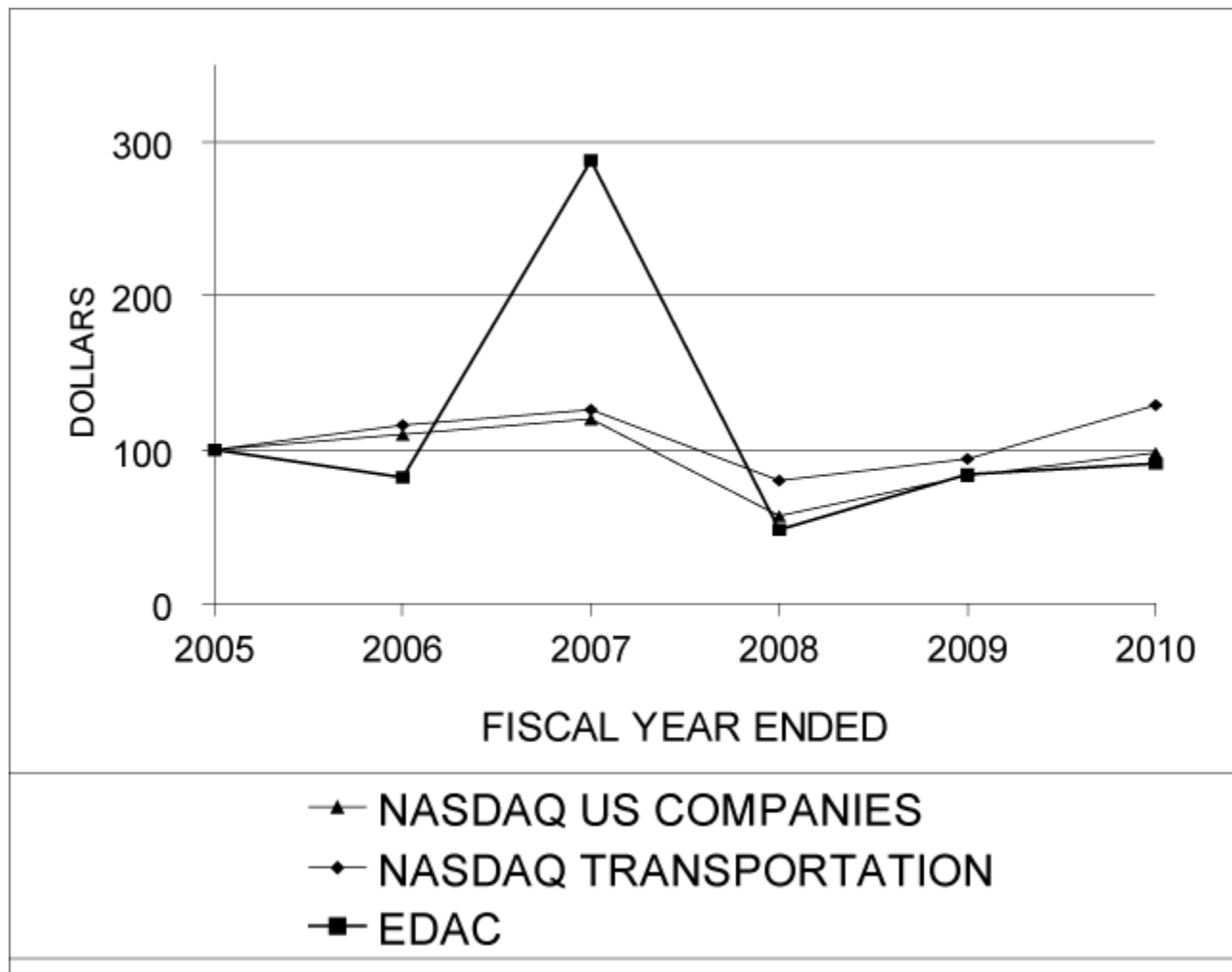
The approximate number of shareholders of record plus beneficial shareholders of the Company's Common Stock at March 8, 2011 was 1,447.

The Company has never paid cash dividends. The Company must obtain approval from its primary lender prior to paying any cash dividends (See Note D to the Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report).

Shareholder Return Performance Graph

The following performance graph compares the five year cumulative total shareholder return from investing \$100 on December 31, 2005 in the Company’s Common Stock to (i) the Total Return Index for The Nasdaq Stock Market (U.S. Companies) (the “Nasdaq (US) Index”) and (ii) the Total Return Index for Nasdaq Trucking and Transportation Stocks (the “Nasdaq Transportation Index”).

Comparison of Five-Year Cumulative Total Return of EDAC Common Stock, Nasdaq (US) Index and Nasdaq Transportation Index



<u>Fiscal Year Ended</u>	<u>Nasdaq (US) Index</u>	<u>Nasdaq Transportation Index</u>	<u>EDAC Technologies Corporation</u>
December 31, 2005	\$100	\$100	\$100
December 30, 2006	110	116	82
December 29, 2007	120	126	288
January 3, 2009	57	80	48
January 2, 2010	83	94	84
January 1, 2011	98	129	91

SELECTED FINANCIAL INFORMATION

The following selected financial information for each of the two most recent fiscal years has been derived from the Company's audited financial statements. The following data is qualified by reference to and should be read in conjunction with the Company's audited financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company operates on a fiscal year basis. The Company's fiscal year is a 52 or 53-week period ending on the Saturday closest to December 31. The 2011 fiscal year was a 52-week year.

SELECTED STATEMENT OF INCOME DATA

(In thousands, except per share data)

	2010	2009
Sales	<u>\$73,058</u>	<u>\$54,643</u>
Net income	<u>\$ 845</u>	<u>\$ 7,626</u>
Earnings per common share:		
Basic	<u>\$ 0.17</u>	<u>\$ 1.58</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 1.54</u>

SELECTED BALANCE SHEET DATA

(In thousands)

	2010	2009
Current assets	\$38,026	\$33,468
Total assets	61,404	56,127
Current liabilities	20,704	14,284
Working capital	17,322	19,184
Long-term liabilities	15,857	18,077
Shareholders' equity	24,843	23,766

MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(in thousands)

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company and related notes thereto.

Sales to the Company's principal markets are as follows:

	2010	2009
Aerospace customers	\$56,592	\$41,979
Other	16,466	12,664
Total	<u>\$73,058</u>	<u>\$54,643</u>

Sales by product line are as follows:

	2010	2009
EDAC Aero	\$50,161	\$36,697
Apex Machine Tool	17,009	15,280
EDAC Machinery	5,888	2,666
Total	<u>\$73,058</u>	<u>\$54,643</u>

2010 vs. 2009

Acquisition of AERO

On May 27, 2009, the Company acquired certain assets of MTU Aero Engines North America Inc.'s Manufacturing Business Unit (AERO). The acquisition was accounted for under the purchase method of accounting with the assets acquired recorded at their fair values at the date of acquisition. The results of operations of the acquired business have been included in the Consolidated Statement of Operations beginning as of the effective date of acquisition. The acquisition further diversifies our core Aerospace business to adjacent markets and is consistent with our long term growth plan.

Sales

The Company's sales increased \$18,415 or 33.7%, from \$54,643 in 2009 to \$73,058 in 2010. Sales to aerospace customers increased \$14,613, or 34.8% from 2009 to 2010, primarily due to the inclusion of the sales of the Company's AERO acquisition commencing on May 27, 2009. Sales to non-aerospace customers increased \$3,802 or 30.0% from 2009 to 2010, due to increased sales in all product lines. As of January 1, 2011, sales backlog was approximately \$138,300, compared to approximately \$125,900 at January 2, 2010. The sales backlog increase is primarily due to the increased orders in the EDAC Aero product line. The Company presently expects to complete approximately \$64,000 of the January 1, 2011 backlog during the 2011 fiscal year.

Sales for the EDAC Aero product line increased \$13,464, or 36.7%, from \$36,697 in 2009 to \$50,161 in 2010. The increase was due primarily to the Company's May 27, 2009 acquisition of AERO. Additionally, shipments of certain jet engine parts to our major aerospace customers increased over 2009. The Company's sales backlog for EDAC Aero increased from \$118,800 at January 2, 2010 to \$128,617 at January 1, 2011.

MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
(in thousands)

Sales for the Apex Machine Tool product line increased \$1,729, or 11.3%, from \$15,280 in 2009 to \$17,009 in 2010. Sales backlog for the Apex Machine Tool product line increased from \$5,119 at January 2, 2010 to \$7,124 at January 1, 2011.

Sales for the EDAC Machinery product line, increased \$3,222, or 120.8% from \$2,666 in 2009 to \$5,888 in 2010. The Company believes, based on indications from its customers, that demand for spindles and SNI grinders will improve slightly for 2011.

Cost of Sales

Cost of sales as a percentage of sales decreased in 2010 to 89.1% from 89.2% in 2009. This decrease was primarily due to the sales levels increasing in all product lines more significantly than manufacturing costs due to the fixed element or semi-variable element of certain manufacturing costs. The decrease was mostly offset by development costs on an emerging program that resulted in a gross loss on that program in the third and fourth quarters. The Company has implemented methods to improve and refine certain production processes for these parts. The decrease in cost of sales was further offset due to a gross loss of \$218 for the third quarter for the resources allocated to the SNI product line. This was due to the lack of orders in the third quarter, reflected by SNI sales decreasing in the third quarter and to costs associated with integrating Accura into SNI. SNI's sales subsequently increased substantially in the fourth quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$6,222 in 2010, representing an increase of \$1,372, or 28.3%, from the 2008 level of \$4,850. The increase was primarily due to the inclusion of selling, general and administrative expenses of the Company's AERO acquisition commencing on May 27, 2009. Additionally, there were increases in salary, bonus, pension and investor relations expenses.

Interest Expense

Interest expense for 2010 increased \$141, or 17%, to \$970 from \$829 in 2009. This was due to increased borrowing levels associated with the acquisition of AERO and increased borrowing levels associated with increases in accounts receivable and inventories. See Note D to the Consolidated Financial Statements.

Other Income

The Company recognized an additional gain in 2010 in the amount of \$350 from the recognition of a deposit on an equipment purchase made by AERO prior to its acquisition by the Company. The Company was not originally aware of the deposit as of the acquisition date. For 2009, due to bargain purchase accounting rules, the Company recognized a gain on the acquisition of AERO in the amount of \$12,161. The gain has been offset by acquisition related expenses in the amount of \$257, resulting in a net gain of \$11,904. See Note A to the Consolidated Financial Statements.

Provision for Income Taxes

The effective income tax provision rate for 2010 was 27.3%, compared to 37.4% in 2009. The decrease in pre-tax income in 2010 compared with 2009 resulted in a reduction in the effective tax rate as the tax benefit of Connecticut business tax credits and the Section 199 Qualified Productions Activities deduction was a larger percentage of 2010 pretax income.

For additional discussion of income taxes, see "Critical Accounting Policies and Estimates — Income Taxes" and Note G to the Consolidated Financial Statements.

MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(in thousands)

LIQUIDITY AND CAPITAL RESOURCES

The Company has met its working capital needs through funds generated from operating and financing activities. The Company assesses its liquidity in terms of its ability to generate cash to fund its operating and investing activities. A decrease in product demand would impact the availability of funds. Of particular importance to the Company's liquidity are cash flows generated from operating activities, capital expenditure levels and borrowings on the revolving credit facility.

Long-term Debt and Revolving Line of Credit

Long-term debt and lines of credit consist of the following:

	Jan 1, 2011	Jan 2, 2010
Lines of credit	\$ 4,793	\$ 1,591
Term notes	8,967	8,420
Mortgage loans	5,261	5,475
Capital lease obligations	—	92
	<u>19,021</u>	<u>15,578</u>
Less — equipment line of credit	743	1,391
Less — revolving line of credit	4,050	200
Less — current portion of long-term debt	4,370	1,833
	<u>\$ 9,858</u>	<u>\$ 12,154</u>

Cash Flow

The following is selected cash flow data from the Consolidated Statements of Cash Flows:

	2010	2009
Net cash (used in) provided by operating activities	\$ (409)	\$ 3,556
Net cash used in investing activities	(3,233)	(10,289)
Net cash provided by financing activities	3,517	6,522

2010

The use of cash in operating activities in 2010 of \$409 as compared to cash generated from operations in 2009 in the amount of \$3,556 is primarily due to an increase in accounts receivable in the amount of \$4,164 in 2010. The increased sales to large aerospace customers, who have extended their payment terms has increased our receivables and our revolving line of credit. The increase in accounts receivable was partially offset by an increase in accounts payable in the amount of \$501.

Cash used in investing activities primarily reflects expenditures for machinery and equipment to increase machining capacity and to purchase certain assets from Accura. Capital expenditures for 2011 are targeted at \$3,400.

MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
(in thousands)

Cash flows provided by financing activities primarily reflect \$2,243 of new debt to finance the Company's machinery purchases. Cash was used in financing activities for scheduled payments of term debt in the amount of \$2,003. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2011, unless converted earlier at the option of the Company.

As of January 1, 2011, the Company had \$4,050 outstanding on its revolving line of credit and \$743 outstanding on its equipment line of credit and had \$3,950 and \$3,957, respectively, available for additional borrowings.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant accounting policies are set forth below.

Revenue Recognition — Sales are recorded when all criteria for revenue recognition have been satisfied, which is generally when goods are shipped to the Company's customers. The Company defers revenue recognition on certain product shipments until customer acceptance, including inspection and installation requirements, as defined, are achieved.

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 — 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 provided a full reserve for these parts. The assumption is that these parts will not be sold. The assumptions and the resulting reserve have been reasonably accurate in the past, and are not likely to change materially in the future.

Income Taxes — The Company will only recognize a deferred tax asset when, based upon available evidence, realization is more likely than not. In making this determination, the Company has considered both available positive and negative evidence including, but not limited to, cumulative losses in recent years, future taxable income and prudent and feasible tax planning strategies. At present, the Company has concluded that it is more likely than not that the Company will realize all of its deferred tax assets. Valuation allowances related to deferred tax assets can also be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a portion of its deferred tax assets in the future, it would record a valuation allowance through a charge to income in the period in which that determination is made.

The provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10 address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The Company has determined that it has no significant uncertain tax positions.

Long-Lived Assets — Property, plant and equipment are carried at cost less accumulated depreciation. The appropriateness and the recoverability of the carrying value of such assets are periodically reviewed taking into consideration current and expected business conditions.

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

MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
(in thousands)

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 granted during the fiscal years ended January 1, 2011 and January 2, 2010. 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 noncontributory defined benefit pension plan covering substantially all employees meeting certain minimum age and service requirements. The benefits are generally based on years of service and compensation during the last five years of employment. The Company's policy is to contribute annually the amount necessary to satisfy the requirements of the Employee Retirement Income Security Act of 1974. In March 1993, the Board of Directors approved a curtailment to the plan which resulted in the freezing of all future benefits under the plan as of April 1, 1993.

Net periodic benefit cost for the plan was \$151 and \$211 for the fiscal years ended January 1, 2011 and January 2, 2010, respectively, and is calculated based upon a number of actuarial assumptions, including an expected long-term rate of return on our plan assets of 7% for each year. In developing our expected long-term rate of return assumption, we evaluated input from our actuaries and our investment managers. We anticipate that our investment managers will continue to generate long-term returns of at least 7%. We regularly review our asset allocation and periodically rebalance our investments when considered appropriate. For the year ended January 1, 2011, we realized a return of greater than 7%, however, we continue to believe that 7% is a reasonable long-term rate of return on our plan assets.

The discount rate that we utilize for determining future pension obligations is based on a review of long-term bonds that receive one of the two highest ratings given by a recognized rating agency. The discount rate determined on this basis has been reduced to 5.25% at January 1, 2011 from 5.75% at January 2, 2010. Based on an expected rate of return on our plan assets of 7.0%, a discount rate of 5.25% and various other assumptions, we estimate that our pension expense for the plan will be approximately \$137 in 2011. Future actual pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the populations participating in our plan. We will continue to evaluate our actuarial assumptions, including our discount rate and expected rate of return, at least annually, and will adjust as necessary.

The value of our plan assets has increased from \$4,255 on at January 2, 2010 to \$4,530 at January 1, 2011. For the year ended January 1, 2011, the investment performance returns were greater than 7% and the discount rate was reduced to 5.25% resulting in an actuarial loss of \$287. The funded status of our plan decreased from \$1,488 unfunded at January 2, 2010, to \$1,806 unfunded at January 1, 2011. We believe that, based on our actuarial assumptions, we will be required to continue to make cash contributions to our plan.

During fiscal 2010, the Company contributed \$30 to the plan, which met the minimum required for the plan year beginning October 1, 2009. In the absence of significant changes, it is estimated that there will be a \$280 minimum required contribution for the plan year beginning October 1, 2010. See Note F to the Consolidated Financial Statements for further discussion.

The Company recognizes the overfunded or underfunded status of its defined benefit pension plan. Actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized are recognized in Accumulated Other Comprehensive Loss, net of tax effects, until they are amortized as a component of net periodic benefit cost.

The Company's significant accounting policies are more fully described in Note A to the Company's Consolidated Financial Statements.

ACCOUNTING STANDARDS NOT YET ADOPTED

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements" (see Note A in the Notes to the Financial Statements). The Company is currently evaluating this new ASU. No other accounting standards not yet adopted are expected to have a material impact on the Company.

MANAGEMENTS' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)
(in thousands)

Certain factors that may affect future results of operations

All statements other than historical statements contained in this annual report 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 a 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 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 Company's ability to effectively use business-to-business tools on the Internet to improve operating results; 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 year ended January 1, 2011. 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
EDAC Technologies Corporation

We have audited the accompanying consolidated balance sheets of EDAC Technologies Corporation and subsidiaries (the "Company") as of January 1, 2011 and January 2, 2010, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income (loss), and cash flows for the years then ended. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of EDAC Technologies Corporation and subsidiaries as of January 1, 2011 and January 2, 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ CCR LLP

Glastonbury, Connecticut
March 11, 2011

EDAC Technologies Corporation
CONSOLIDATED BALANCE SHEETS
As of January 1, 2011 and January 2, 2010
(in thousands)

	January 1, 2011	January 2, 2010
ASSETS		
CURRENT ASSETS:		
Cash	\$ 975	\$ 1,100
Accounts receivable (net of allowance for doubtful accounts of \$121 as of January 1, 2011 and \$249 as of January 2, 2010)	14,955	10,862
Inventories, net	20,219	19,990
Prepaid expenses and other current assets	184	306
Refundable income taxes	80	112
Deferred income taxes	1,613	1,098
Total current assets	<u>38,026</u>	<u>33,468</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	1,546	1,546
Buildings and improvements	10,278	10,166
Machinery and equipment	39,994	36,719
	51,818	48,431
Less: accumulated depreciation	<u>28,595</u>	<u>25,974</u>
	<u>23,223</u>	<u>22,457</u>
OTHER ASSETS	<u>155</u>	<u>202</u>
TOTAL ASSETS	<u>\$61,404</u>	<u>\$56,127</u>

See notes to consolidated financial statements.

EDAC Technologies Corporation
CONSOLIDATED BALANCE SHEETS (CONTINUED)
As of January 1, 2011 and January 2, 2010
(in thousands except share amounts)

	January 1, 2011	January 2, 2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Lines of credit	\$ 4,793	\$ 1,591
Current portion of long-term debt	4,370	1,833
Trade accounts payable	7,336	6,828
Employee compensation and amounts withheld	1,212	1,185
Accrued expenses	2,136	1,819
Customer advances	857	1,028
Total current liabilities	<u>20,704</u>	<u>14,284</u>
LONG-TERM DEBT, less current portion	<u>9,858</u>	<u>12,154</u>
PENSION LIABILITIES	<u>1,526</u>	<u>1,448</u>
DEFERRED INCOME TAXES	<u>4,473</u>	<u>4,475</u>
COMMITMENTS AND CONTINGENCIES (NOTE H)	—	—
SHAREHOLDERS' EQUITY:		
Common stock, par value \$.0025 per share; 20,000,000 shares authorized; issued and outstanding— 4,869,469 on January 1, 2011 and 4,840,803 on January 2, 2010	12	12
Additional paid-in capital	11,690	11,225
Retained earnings	15,630	14,785
	<u>27,332</u>	<u>26,022</u>
Less: accumulated other comprehensive loss	2,489	2,256
Total shareholders' equity	<u>24,843</u>	<u>23,766</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$61,404</u>	<u>\$56,127</u>

See notes to consolidated financial statements.

EDAC Technologies Corporation
CONSOLIDATED STATEMENTS OF INCOME
For the Fiscal Years Ended January 1, 2011
and January 2, 2010
(in thousands except per share amounts)

	FISCAL YEAR	
	2010	2009
Sales	\$73,058	\$54,643
Cost of Sales	<u>65,080</u>	<u>48,716</u>
Gross Profit	7,978	5,927
Selling, General and Administrative Expenses	<u>6,222</u>	<u>4,850</u>
Income from Operations	1,756	1,076
Non-Operating Income (Expense):		
Interest Expense	(970)	(829)
Other	<u>377</u>	<u>11,941</u>
Income before Provision For Income Taxes	1,163	12,188
Provision for Income Taxes	<u>318</u>	<u>4,562</u>
Net Income	<u>\$ 845</u>	<u>\$ 7,626</u>
Basic Income Per Common Share:	<u>\$ 0.17</u>	<u>\$ 1.58</u>
Diluted Income Per Common Share:	<u>\$ 0.17</u>	<u>\$ 1.54</u>

See notes to consolidated financial statements.

EDAC Technologies Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended January 1, 2011
and January 2, 2010
(in thousands)

	FISCAL YEAR	
	2010	2009
Operating Activities:		
Net income	\$ 845	\$ 7,626
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,693	2,137
Deferred income taxes	(517)	4,338
Gain on acquisition of business	(350)	(12,161)
Gain on sale of property, plant and equipment	(10)	(33)
Compensation expense pursuant to stock options	446	260
Excess tax benefit from share-based compensation	(41)	(10)
Provision for inventories reserve	36	17
Provision for doubtful accounts receivable	71	128
Changes in operating assets and liabilities:		
Accounts receivable	(4,164)	1,431
Refundable income taxes	32	575
Inventories	(126)	(2,785)
Prepaid expenses and other assets	166	(21)
Trade accounts payable	501	737
Other current liabilities	9	1,320
Net cash (used in) provided by operating activities	<u>(409)</u>	<u>3,556</u>
Investing Activities:		
Additions to property, plant and equipment	(2,943)	(1,029)
Equipment deposits	—	981
Cash paid for businesses acquired	(300)	(10,275)
Proceeds from sales of property, plant and equipment	10	34
Net cash used in investing activities	<u>(3,233)</u>	<u>(10,289)</u>
Financing Activities:		
Increase (decrease) in lines of credit	3,202	(84)
Borrowings on long-term debt	2,243	9,500
Repayments of long-term debt	(2,003)	(2,717)
Deferred financing fees	—	(208)
Proceeds from exercise of common stock options	34	21
Excess tax benefit from share-based compensation	41	10
Net cash provided by financing activities	<u>3,517</u>	<u>6,522</u>
Decrease in cash	(125)	(211)
Cash at beginning of year	<u>1,100</u>	<u>1,311</u>
Cash at end of year	<u>\$ 975</u>	<u>\$ 1,100</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 972	\$ 825
Income taxes paid (refunded)	670	(351)

See notes to consolidated financial statements.

EDAC Technologies Corporation
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
For the Fiscal Years Ended January 1, 2011 and January 2, 2010
(in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balances at January 3, 2009	\$ 12	\$10,935	\$ 7,159	\$ (2,439)	\$15,666
Comprehensive income:					
Net income	—	—	7,626	—	7,626
Minimum pension liability, net of income taxes of \$168	—	—	—	253	253
Unrealized loss on cash flow hedges net of income tax benefit of \$40	—	—	—	(70)	(70)
Total comprehensive income					7,809
Exercise of stock options	—	31	—	—	31
Stock option compensation expense	—	260	—	—	260
Balances at January 2, 2010	12	11,225	14,785	(2,256)	23,766
Comprehensive income:					
Net income	—	—	845	—	845
Minimum pension liability, net of income taxes of \$72	—	—	—	(126)	(126)
Unrealized loss on cash flow hedges net of income tax benefit of \$61	—	—	—	(107)	(107)
Total comprehensive income					612
Exercise of stock options	—	19	—	—	19
Stock option compensation expense	—	446	—	—	446
Balances at January 1, 2011	\$ 12	\$11,690	\$15,630	\$ (2,489)	\$24,843

See notes to consolidated financial statements.

NOTE A — ORGANIZATION AND BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS

The accompanying consolidated financial statements include EDAC Technologies Corporation (the “Company”) and its wholly-owned subsidiaries, Gros-Ite Industries, Inc. and Apex Machine Tool Company, Inc. The Company provides complete design, manufacture and service meeting the precision requirements of customers for jet engine components, tooling, fixtures, molds and machine spindles.

ACQUISITIONS

On May 27, 2009, the Company acquired substantially all of the assets and certain liabilities of MTU Aero Engines North America, Inc.’s Manufacturing Business Unit (“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 Company’s operating results beginning as of the effective date of the acquisition.

The \$9,500 purchase price of AERO has been allocated 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 \$11,904, after acquisition related expenses of \$257. Fair values at the date of acquisition were estimated 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>(3,655)</u>
	<u>\$21,661</u>

The Company believes 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.

The Company realized a gain on the acquisition since the seller was willing to sell at less than the fair value of the net assets sold in consideration for the continued employment of the workforce. 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 fiscal year ended January 2, 2010 as though the acquisition had been completed at the beginning of the period is as follows. The pro forma information excludes the gain on the acquisition.

EDAC Technologies Corporation
 NOTES TO FINANCIAL STATEMENTS
 For the years ended January 1, 2011 and January 2, 2010
(in thousands except per share and option amounts)

	January 2, 2010
Sales	\$64,512
Net income	325
Basic income per share	\$ 0.07
Diluted income per share	\$ 0.07

The Company recognized an additional gain in 2010 in the amount of approximately \$350 from the recognition of a deposit on an equipment purchase made by AERO prior to its acquisition by the Company. The Company was not originally aware of the deposit as of the acquisition date.

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 purchase price of SNI has been allocated as follows: 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 NA.

On May 14, 2010, the Company acquired certain assets of Accura Technics, LLC ("Accura"). The \$300 purchase price of Accura has been allocated as follows: accounts receivable \$19, inventories \$118 and machinery and equipment \$163. The acquisition was funded through the Company's normal working capital and line of credit with TD Bank NA.

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: All significant intercompany transactions and balances have been eliminated in the consolidated financial statements.

Fiscal Year: The Company's fiscal year is a 52 or 53-week period ending on the Saturday closest to December 31. Fiscal years 2010 and 2009 were 52-week years that ended on January 1, 2011 and January 2, 2010, respectively.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain of the amounts and disclosures reflected in the consolidated financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, the Company defines cash equivalents as highly liquid instruments with an original maturity of three months or less. The Company had no cash equivalents at January 1, 2011 and January 2, 2010.

Revenue Recognition: Sales are recorded when all criteria for revenue recognition have been satisfied, which is generally when goods are shipped to the Company's customers. The Company defers revenue recognition on certain product shipments until customer acceptance, including inspection and installation requirements, as defined, are achieved.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market. Provisions for slow moving and obsolete inventory are provided based on historical experience and product demand. As of January 1, 2011 and January 2, 2010, inventories consist of the following:

	January 1, 2011	January 2, 2010
Raw materials	\$ 2,624	\$ 2,325
Work-in-progress	16,163	15,890
Finished goods	1,468	1,775
	<u>20,255</u>	<u>19,990</u>
Less: reserve for excess and obsolete	(36)	—
Inventories, net	<u>\$ 20,219</u>	<u>\$ 19,990</u>

EDAC Technologies Corporation
 NOTES TO FINANCIAL STATEMENTS
 For the years ended January 1, 2011 and January 2, 2010
(in thousands except per share and option amounts)

Long-Lived Assets: Property, plant and equipment are stated at cost. Provisions for depreciation and amortization for financial reporting purposes are computed using the straight-line method over 3 to 12 years for machinery and equipment and 25 years for buildings. Depreciation expense was \$2,644 and \$2,091 for 2010 and 2009, respectively.

The Company reviews its investments in long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company recognizes impairment when the carrying amount of the asset exceeds its estimated fair value.

Income Taxes: Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or benefits are based on the changes in the deferred tax assets and liabilities from period-to-period.

The Company will only recognize a deferred tax asset when, based upon available evidence, realization is more likely than not. In making this determination, the Company has considered both available positive and negative evidence including, but not limited to, cumulative losses in recent years, future taxable income and prudent and feasible tax planning strategies. At present, the Company has concluded that it is more likely than not that the Company will realize all of its deferred tax assets. Valuation allowances related to deferred tax assets can also be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a portion of its deferred tax assets in the future, it would record a valuation allowance through a charge to income in the period in which that determination is made.

The provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740-10 address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740-10, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The Company has determined that it has no uncertain tax positions.

Earnings Per Share: Basic earnings per common share is based on the average number of common shares outstanding during the year. Diluted earnings per common share assumes, in addition to the above, a dilutive effect of common share equivalents during the year. Common share equivalents represent dilutive stock options using the treasury method, which results in the inclusion of common shares in an amount less than the options exercised. The number of shares used in the earnings per common share computation for fiscal 2010 and 2009 are as follows:

	2010	2009
Basic:		
Weighted average common shares outstanding	4,859	4,833
Diluted:		
Dilutive effect of stock options	154	112
Weighted average shares diluted	<u>5,013</u>	<u>4,945</u>
Options excluded since anti-dilutive	<u>239</u>	<u>577</u>

EDAC Technologies Corporation
NOTES TO FINANCIAL STATEMENTS
For the years ended January 1, 2011 and January 2, 2010
(in thousands except per share and option amounts)

Comprehensive Income (Loss): Comprehensive income (loss), which is reported on the accompanying consolidated statement of changes in shareholders' equity and comprehensive income (loss) consists of net income (loss) and other gains and losses affecting shareholders' equity that, under accounting principles generally accepted in the United States of America, are excluded from net income (loss). For the Company, comprehensive income (loss) consists of gains and losses related to the Company's defined benefit pension plan and unrealized losses on established cash flow hedges.

Share Based Compensation: The Company accounts for share-based compensation in accordance with FASB ASC Topic 718, *Compensation — Stock Compensation*, which establishes accounting for equity instruments exchanged for employee services. Under the provisions of FASB ASC Topic 718, 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 elected to adopt the modified prospective transition method of FASB ASC Topic 718 and, accordingly, financial statement amounts for the prior periods have not been restated to reflect the fair value method of expensing share-based compensation. Under this application, the Company is required to record compensation cost for all share-based payments granted after the date of adoption based on the grant date fair value estimated in accordance with the provisions of FASB ASC Topic 718 and for the unvested portion of all share-based payments previously granted that remain outstanding which were based on the grant date fair value estimated in accordance with the original provisions of FASB ASC Topic 718. The majority of the Company's share-based compensation arrangements vest over three years. The Company expenses its share-based compensation under the straight-line method.

Pension: The Company accounts for postemployment benefits in accordance with FASB ASC Topic 715, *Compensation-Retirement Benefits*. The Company recognizes the overfunded or underfunded status of the Company's defined benefit pension plan. Actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards are recognized in Accumulated Other Comprehensive Loss, net of tax effects, until they are amortized as a component of net periodic benefit cost. The Company uses its fiscal year-end as the measurement date for its pension plan assets and the benefit obligation.

Fair Value: The Company complies with FASB ASC 820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances. The FASB has partially delayed the effective date for one year for certain fair value measurements when those measurements are used for financial statement items that are not measured at fair value on a recurring basis.

FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

EDAC Technologies Corporation
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Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Accounting Pronouncements Not Yet Adopted: In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements." This ASU establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This ASU provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this ASU also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early application is permitted. The Company is currently evaluating this new ASU.

No other accounting pronouncements not yet adopted are expected to have a material impact on the Company.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE B — FINANCIAL INSTRUMENTS

Concentrations of Credit Risk

The Company's financial instruments that are subject to concentrations of credit risk consist of cash and accounts receivable.

The Company places its cash deposits with a high credit quality financial institution. Bank deposits may at times be in excess of the federal depository insurance limit.

Sales to United Technologies Corporation for 2010 and 2009 amounted to 44% and 41%, respectively, of the Company's sales. Sales to MTU for 2010 amounted to 11%. The Company's international sales for 2010 and 2009, amounted to 21%, and 13%, respectively, of the Company's sales. At January 1, 2011, the Company had \$7,648 or 51%, and \$2,272 or 15% of its accounts receivable due from United Technologies Corporation and MTU, respectively. The Company reviews a customer's credit history before extending credit and typically does not require collateral. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Such losses have been within management's expectations.

Fair Value of Financial Instruments

FASB ASC Topic 825, *The Fair Value Option for Financial Assets and Financial Liabilities*, requires disclosure of the fair value of financial instruments for which the determination of fair value is practicable. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amount of the Company's financial instruments approximates their fair value as outlined below.

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Cash, accounts receivable and accounts payable: The carrying amounts approximate their fair value because of the short maturity of those instruments.

Notes payable and long-term debt: The carrying amounts approximate their fair value as the interest rates on the debt approximates the Company's current incremental borrowing rate.

The Company's financial instruments are held for other than trading purposes.

NOTE C — COMMON STOCK AND STOCK OPTIONS

The following table presents share-based compensation expense for continuing operations and the effects on earnings per share included in the Company's consolidated statements of income:

	Fiscal Year Ended January 1, 2011	Fiscal Year Ended January 2, 2010
Selling, general and administrative:		
Share-based compensation expense before tax	\$ 446	\$ 260
Income tax	122	98
Net share-based compensation expense	<u>\$ 324</u>	<u>\$ 162</u>

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 granted during the fiscal years ended January 1, 2011 and January 2, 2010. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions:

	Fiscal Year Ended January 1, 2011	Fiscal Year Ended January 2, 2010
Expected option term (1)	3.5 years	3.5 years
Expected volatility factor (2)	66.6%-70.6%	69.2%
Risk-free interest rate (3)	0.05%-0.17%	0.06%
Expected annual dividend yield	0%	0%

- (1) The option term was determined using the simplified method for estimating expected option life, which qualify as "plain-vanilla" options.
- (2) The stock volatility for each grant is measured using the weighted average of historical monthly price changes of the Company's common stock over the most recent period equal to the expected option life of the grant, adjusted for activity which is not expected to occur in the future.
- (3) The risk-free interest rate for periods equal to the expected term of the share option is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock Incentive Plans

The Company has issued stock options from the 2000 Employee Stock Option Plan, the 2000-B Employee Stock Option Plan and the 2008 Equity Incentive Plan. The terms of the options and vesting requirements shall be for such period as the Compensation Committee designates. The option price is not less than the fair market value of the shares on the date of the grant.

As of January 1, 2011, 57,415 shares were reserved for future issuance for stock options including 5,500 shares for the 2000 Employee Stock Option Plan, 10,766 shares for the 2000-B Employee Stock Option Plan and 41,149 for the 2008 Equity Incentive Plan.

A summary of the status of the Company's stock option plans as of January 1, 2011 and January 2, 2010, and changes during the years then ended is presented below:

	January 1, 2011		January 2, 2010	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	874,334	\$ 4.28	540,834	\$ 4.69
Granted	31,851	3.14	372,000	3.59
Exercised	(28,666)	1.20	(15,500)	1.34
Expired/Forfeited	(10,001)	5.96	(23,000)	4.11
Outstanding at end of year	<u>867,518</u>	\$ 4.34	<u>874,334</u>	\$ 4.28
Options exercisable at year-end	<u>589,518</u>	\$ 4.77	<u>382,833</u>	\$ 4.75
Weighted-average fair value of options granted during the year	<u>\$ 1.64</u>		<u>\$ 1.70</u>	

The following table summarizes information about stock options outstanding at January 1, 2011:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Number At 1/1/2011	Weighted-Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number Exercisable At 1/1/2011	Weighted-Average Exercise Price
\$0.51 to \$2.00	85,000	1.18	\$1.33	85,000	\$1.33
\$2.01 to \$3.50	201,814	3.70	2.49	145,147	2.53
\$3.51 to \$5.50	402,204	4.05	3.70	180,871	3.72
\$5.51 to \$9.28	178,500	1.92	9.28	178,500	9.28
\$0.51 to \$9.28	<u>867,518</u>	3.25	\$4.34	<u>589,518</u>	\$4.77

The aggregate intrinsic value of outstanding options as of January 1, 2011 was \$354. The intrinsic value of options exercised during the fiscal year ended January 1, 2011 was \$111. The intrinsic value of options vested during the fiscal year ended January 1, 2011 was \$57.

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The following table summarizes the status of the Company's non-vested options since January 3, 2009:

	Non-Vested Options	
	Number of Options	Weighted Average Fair Value
Non-vested at January 3, 2009	248,831	\$ 1.92
Granted	372,000	1.70
Vested	(115,004)	1.75
Forfeited	(14,333)	2.56
Non-vested at January 2, 2010	491,494	1.75
Granted	31,851	1.64
Vested	(240,344)	1.89
Forfeited	(5,001)	1.77
Non-vested at January 1, 2011	278,000	\$ 1.59

As of January 1, 2011, there was \$436 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Company's stock plans. That cost is expected to be recognized over a weighted-average period of 2.5 years.

Cash received from option exercises under all share based payment arrangements for the fiscal years ended January 1, 2011 and January 2, 2010 was \$34 and \$21, respectively. The actual tax benefit realized for the tax deductions from option exercises of the share-based payment arrangements was \$41 and \$10 for the fiscal years ended January 1, 2011 and January 2, 2010, respectively.

NOTE D — NOTES PAYABLE AND LONG-TERM DEBT

Long-term debt and lines of credit consist of the following:

	Jan 1, 2011	Jan 2, 2010
Lines of credit	\$ 4,793	\$ 1,591
Term notes	8,967	8,420
Mortgage loans	5,261	5,475
Capital lease obligations	—	92
	19,021	15,578
Less — equipment line of credit	743	1,391
Less — revolving line of credit	4,050	200
Less — current portion of long-term debt	4,370	1,833
	\$ 9,858	\$ 12,154

The Company's credit facility with TD Bank, N.A. includes a revolving line of credit, which provides for borrowings up to \$10,500 (\$8,000 after reserving \$2,500 for the scheduled payment in full on May 27, 2011, of a term note with MTU associated with the AERO acquisition), and an equipment line of credit, which provides for borrowings up to \$4,700. The revolving line of credit is limited to an amount determined by a formula based on percentages of receivables and inventory and bears interest at a variable rate equal to the greater of the highest Prime Rate as published in the Wall Street Journal, adjusted daily (3.25% at January 1, 2011) or 4%. The revolving line of credit is payable on demand and is reviewed annually as of July 31 with renewal at the bank's discretion. The equipment line of credit provides advances to purchase eligible equipment and bears interest at a variable rate equal to the highest Prime Rate as published in the Wall Street Journal, adjusted daily. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2011, unless converted earlier at the option of the Company, with monthly payments of

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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%. The credit facility gives TD Bank, N.A. a first security interest in accounts receivable, inventory, equipment and other assets and requires approval from TD Bank, N.A. prior to paying cash dividends. As of January 1, 2011, there was \$3,950 and \$3,957 available for borrowing on the revolving line of credit and on the equipment line of credit, respectively, and the Company was in compliance with its debt covenants.

The Company's acquisition of AERO in May 2009 was funded by a five year term note in the amount of \$4,360 and a ten year mortgage on the AERO real estate in the amount of \$2,640, 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 \$2,500 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%. As of January 1, 2011, the amounts outstanding on the five-year term note, the mortgage and the secured promissory note were \$3,521, \$2,541 and \$2,500, respectively.

In addition, the Company has two mortgages secured by the Company's real estate. One is due in monthly installments of \$16, including interest at 7.625% through February 2021. The payment will be adjusted by the bank on March 1, 2011 and every 5 years thereafter to reflect interest at the Five Year Federal Home Loan Bank "Classic Credit Rate" plus 2.75%. The second is due in monthly installments of \$12 including interest at 5.89% with a balloon payment due on April 1, 2014. As of January 1, 2011, the amounts outstanding on the mortgages were \$1,406 and \$1,314, respectively.

The Company has five term notes with TD Bank, N.A. that were used to finance the purchase of machinery and equipment with interest rates ranging between 4.88% and 7.47% and maturity dates ranging between April 2011 and July 2015. As of January 1, 2011, the outstanding balance of the five notes totaled \$2,946.

The following table sets forth leased property under capital leases.

Class of Property	2010	2009
Machinery & equipment	\$ 1,547	\$ 983
Less: accumulated amortization	232	461
	\$ 1,315	\$ 522

Amortization expense related to leased property under capital leases is included in depreciation expense disclosed in Note A.

Aggregate annual maturities of long-term debt for the five year period subsequent to January 1, 2011, are as follows: 2011—\$4,370; 2012—\$1,488; 2013—\$1,359; 2014—\$3,506; 2015—\$505; 2016 and thereafter—\$3,000.

NOTE E — 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 loss. At January 1, 2011 and January 2, 2010, the Company has accumulated other comprehensive loss of \$278 and \$110, respectively, due to the interest rate swaps. These changes in fair value must be reclassified in whole or in part from consolidated accumulated other comprehensive loss 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 loss from consolidated accumulated other comprehensive loss to earnings in the future. Under FASB ASC 820, the Company has determined that the inputs associated with the fair value determination are readily observable at commonly quoted intervals and as a result the interest rate swaps were classified within Level 2 of the fair value hierarchy. The Company has recorded consolidated accumulated other comprehensive loss

NOTE F — PENSION PLANS

The Company maintains a noncontributory defined benefit pension plan covering substantially all employees that met certain minimum age and service requirements prior to April 1, 1993. The benefits are generally based on years of service and compensation during the last five years of employment prior to April 1, 1993. The Company's policy is to contribute annually the amount necessary to satisfy the requirements of the Employee Retirement Income Security Act of 1974. In March 1993, the Board of Directors approved a curtailment to the plan which resulted in the freezing of all future benefits under the plan as of April 1, 1993.

The Company uses its fiscal year-end as the measurement date for its pension plan assets and benefit obligation.

The following tables set forth the changes in benefit obligations and plan assets, and reconciles amounts recognized in the Company's consolidated balance sheets:

	<u>2010</u>	<u>2009</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 5,743	\$ 5,457
Interest cost	317	328
Actuarial loss (gain)	740	399
Benefits paid	(464)	(441)
Benefit obligation at end of year	<u>\$ 6,336</u>	<u>\$ 5,743</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of year	\$ 4,255	\$ 3,759
Actual return (loss) on plan assets	728	962
Employer contributions	30	—
Expenses	(19)	(25)
Benefits paid	(464)	(441)
Fair value of plan assets at end of year	<u>\$ 4,530</u>	<u>\$ 4,255</u>
Unfunded status	<u>\$ (1,806)</u>	<u>\$ (1,488)</u>
Amounts recognized in the consolidated balance sheets consist of:		
Accrued expense — current	\$ (280)	\$ (40)
Other liabilities — long term	(1,526)	(1,448)
	<u>\$ (1,806)</u>	<u>\$ (1,488)</u>
Amounts recognized in accumulated other comprehensive income consist of:		
Net loss	<u>\$ (2,787)</u>	<u>\$ (2,590)</u>

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	2010	2009
Information for pension plans with an accumulated benefit obligation in excess of plan assets:		
Projected benefit obligation	\$ 6,336	\$ 5,743
Accumulated benefit obligation	6,336	5,743
Fair value of plan assets	4,530	4,255

Components of Net Periodic Benefit Cost:

Interest cost	\$ 317	\$ 328
Service cost	26	22
Expected return on plan assets	(282)	(248)
Amortization of net loss	90	109
Net periodic benefit cost (income)	<u>\$ 151</u>	<u>\$ 211</u>

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:

Current year net (loss) gain	\$ 288	\$ (312)
Amortization of net (loss) gain	(90)	(109)
Total recognized in other comprehensive income	<u>\$ 198</u>	<u>\$ (421)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 349</u>	<u>\$ (210)</u>

The estimated amount of net loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost in 2011 is \$100.

	2010	2009
Assumptions:		
Weighted-average assumptions used to determine benefit obligation as of year-end:		
Discount rate	5.25%	5.75%
Rate of compensation increase	n/a	n/a
Weighted-average assumptions used to determine net benefit cost:		
Discount rate	5.75%	6.25%
Rate of compensation increase	n/a	n/a
Expected return on plan assets	7.00%	7.00%

The expected long-term rate of return on assets assumption is 7%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historic rates of return for each individual asset class.

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk while also providing adequate liquidity to meet benefit payment requirements.

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Plan Assets

Asset Category	Fair Value Jan. 1, 2011	Target Allocation	
		2010	2009
Equity securities	\$ 3,603	80%	80%
Debt securities	709	16	16
Real estate equity fund	90	3	3
Cash	128	1	1
Total	\$ 4,530	100%	100%

Under the fair value hierarchy of FASB ASC 820, the Company has classified the Plan's assets as Level 1, since the inputs associated with the fair value determination utilize quoted prices in active markets for identical assets.

Cash Flows

Contributions

The expected employer contribution for 2011 is \$280.

Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

2011	480
2012	470
2013	470
2014	463
2015	456
Years 2016 – 2020	2,265

The Company maintains a defined contribution plan known as the EDAC Technologies Corporation 401(k) Retirement Plan. All employees who have completed at least three consecutive months of service and are age eighteen or older are eligible to participate. For 2011 and 2010, the Company did not provide matching contributions.

NOTE G — INCOME TAXES

The provision for income taxes is as follows:

	2010	2009
Current provision	\$ 702	\$ 224
Deferred	(384)	4,338
Total provision for income taxes	\$ 318	\$ 4,562

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The following table reconciles the expected federal tax provision applied to pre-tax income based on the federal statutory tax rate of 34% to the actual tax provision:

	<u>2010</u>	<u>2009</u>
Income before income taxes	<u>\$ 1,163</u>	<u>\$12,188</u>
Income tax provision at Federal statutory rate	\$ 395	\$ 4,144
State income taxes	—	432
Changes in estimated effective tax rates	(64)	—
Other	<u>(13)</u>	<u>(14)</u>
Total income tax provision	<u>\$ 318</u>	<u>\$ 4,562</u>

The tax effect of temporary differences giving rise to the Company's deferred tax assets and liabilities are as follows:

	<u>2010</u>	<u>2009</u>
Deferred tax assets:		
Allowance for uncollectible accounts receivable	\$ 44	\$ 90
Employee compensation and amounts withheld	253	175
Accrued expenses	591	434
Unicap and inventory reserves	554	269
State tax credits	108	67
Interest rate swap (in equity)	101	40
Pension liability (in equity)	1,076	1,004
Goodwill	689	965
	<u>\$ 3,416</u>	<u>\$ 3,044</u>
Deferred tax liabilities:		
Property, plant and equipment	\$ 5,926	\$ 6,010
Pension	350	411
	<u>6,276</u>	<u>6,421</u>
Net deferred tax asset (liability)	<u>\$(2,860)</u>	<u>\$(3,377)</u>
Reflected in consolidated balance sheets as:		
Net current deferred tax asset	\$ 1,613	\$ 1,098
Net long-term deferred tax liability	<u>(4,473)</u>	<u>(4,475)</u>
	<u>\$(2,860)</u>	<u>\$(3,377)</u>

The change in the net deferred tax asset is reflected in the accompanying consolidated financial statements as:

Deferred provision allocated to income	\$ (384)	\$ 4,338
Deferred provision allocated to equity	<u>(133)</u>	<u>128</u>
	<u>\$ (517)</u>	<u>\$ 4,466</u>

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The Company will only recognize a deferred tax asset when, based upon available evidence, realization is more likely than not.

Under FASB ASC 740-10, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The Company has determined that it has no uncertain tax positions.

On January 21, 2010, the Internal Revenue Service completed its examination of the Company's 2007 and 2008 tax returns, increasing the Company's net tax by \$9. The Company's subsequent years' returns are subject to examination by federal taxing authorities.

The statute of limitations for Connecticut tax returns is closed for all tax years prior to 2002. This is due to utilization of credit carryforwards and net operating loss carryforwards.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of the provisions of FASB ASC 740, *Income Taxes*, as it relates to the accounting for uncertainty in income taxes, there was no accrued interest or penalties associated with any recognized tax benefits, nor was any interest expense recognized during the year.

The Company also has approximately \$277 of state tax credit carryforwards relating to property taxes paid on electronic data processing equipment, training expenses, and capital investments available for use on the 2010 tax return. The Company expects the carryforward to 2011 to be approximately \$163. The state credits have various carryforward periods and will begin to expire if they are not utilized over the next five years.

NOTE H — COMMITMENTS AND CONTINGENCIES

Lease expense under operating leases was \$333 and \$171 for 2010 and 2009, respectively. Minimum rental commitments as of January 1, 2011 for noncancelable operating leases with an initial or remaining term of one year or more are as follows: 2011—\$399; 2012—\$367; 2013—\$355; 2014—\$357; 2015—\$316; 2016 and thereafter—\$155.

NOTE I — SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which financial information is available that is evaluated regularly by the Company's President in deciding how to allocate resources and in assessing performance. The Company has determined that it operates as one segment.

NOTE J — QUARTERLY DATA (Unaudited)

Following is selected quarterly data for 2011 and 2010. All quarterly information was obtained from unaudited consolidated financial statements not otherwise contained herein. The unaudited results for any quarter are not necessarily indicative of the results for any future period.

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2010	1st quarter	2nd quarter	3rd quarter	4th quarter
Sales	\$ 17,787	\$ 18,841	\$ 18,528	\$ 17,902
Gross profit	2,141	2,258	1,768	1,811
Income from operations	410	729	375	242
Net income	360	345	84	56
Basic income per common share	\$ 0.07	\$ 0.07	\$ 0.02	\$ 0.01
Diluted income per common share	\$ 0.07	\$ 0.07	\$ 0.02	\$ 0.01
2009	1st quarter	2nd quarter	3rd quarter	4th quarter
Sales	\$ 9,584	\$ 13,629	\$ 15,132	\$ 16,298
Gross profit	1,080	1,696	1,762	1,389
Income (loss) from operations	219	515	456	(114)
Net income	56	7,376	80	114
Basic income per common share	\$ 0.01	\$ 1.53	\$ 0.02	\$ 0.02
Diluted income per common share	\$ 0.01	\$ 1.49	\$ 0.02	\$ 0.02

OFFICERS

Dominick A. Pagano
Glenn L. Purple

President and Chief Executive Officer
Vice President-Finance, Chief Financial Officer and Secretary

BOARD OF DIRECTORS

Daniel C. Tracy
Dominick A. Pagano
Lee K. Barba
Joseph Lebel
John A. Rolls
Ross C. Towne

Chairman
President and Chief Executive Officer
Former Chairman and CEO of thinkorswim Group Inc.
Private Investor
Managing Partner, Core Capital Partners LLP
Owner, Management Partners, Inc.

CORPORATE OFFICES

1806 New Britain Avenue
Farmington, CT 06032

GENERAL COUNSEL

Robinson & Cole LLP
280 Trumbull Street
Hartford, CT 06103-3597

INDEPENDENT AUDITORS

CCR LLP
124 Hebron Avenue
Glastonbury, CT 06033

TRANSFER AGENT

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

ANNUAL MEETING

The 2011 annual meeting of shareholders will be held on the date and at the time and place indicated in the Notice of Annual Meeting and Proxy Statement accompanying this report.

10-K INFORMATION

A copy of EDAC's 2010 Annual Report on Form 10-K filed with the Securities and Exchange Commission is available without charge by writing to: Glenn L. Purple, Secretary, EDAC Technologies Corporation, 1806 New Britain Avenue, Farmington, CT 06032.

Subsidiaries

Apex Machine Tool Company, Inc.

Gros-Ite Industries, Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements: 1996 Stock Option Plan (File #333-24857), 1998 Stock Option Plan (File #333-81259), 2000 Employee Stock Option Plan (File #333-62026), the 2000-B Employee Stock Option Plan (File #333-62028) and the EDAC Technologies Corporation 2008 Equity Incentive Plan (File #333-152721) on Form S-8 of our report dated March 11, 2011, relating to the consolidated financial statements of EDAC Technologies Corporation and subsidiaries as of and for the year ended January 1, 2011.

/s/ CCR LLP

Glastonbury, Connecticut
March 11, 2011

CERTIFICATION PURSUANT TO RULE 13a-14(a)/Rule 15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Dominick A. Pagano, President and Chief Executive Officer of EDAC Technologies Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of EDAC Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2011

/s/ Dominick A. Pagano

Dominick A. Pagano
President and Chief Executive Officer

CERTIFICATION PURSUANT TO RULE 13a-14(a)/Rule 15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Glenn L. Purple, Chief Financial Officer of EDAC Technologies Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of EDAC Technologies Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2011

/s/ Glenn L. Purple

Glenn L. Purple
Chief Financial Officer

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

In connection with the Annual Report on Form 10-K of EDAC Technologies Corporation (the "Company") for the fiscal year ended January 1, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

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

Dated: March 11, 2011

/s/ Dominick A. Pagano

Dominick A. Pagano
Chief Executive Officer

Dated: March 11, 2011

/s/ Glenn L. Purple

Glenn L. Purple
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to EDAC Technologies Corporation and will be retained by EDAC Technologies Corporation and furnished to the Securities and Exchange Commission or its staff upon request