

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

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: 0-14275

EDAC Technologies Corporation

(Exact name of registrant as specified in its charter)

Wisconsin

(State or other jurisdiction of
incorporation or organization)

39-1515599

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

1806 New Britain Avenue, Farmington, CT 06032

(Address of principal executive offices)

(860) 677-2603

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

On July 31, 2007 there were outstanding 4,613,103 shares of the registrant's Common Stock, \$0.0025 par value per share.

PART I FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

EDAC TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007 <u>(Unaudited)</u>	December 30, 2006 <u>(Audited)</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 1,295,643	\$ 925,197
Trade accounts receivable, (net of allowance for doubtful accounts of \$110,000 as of June 30, 2007 and December 30, 2006)	7,101,595	7,331,226
Inventories, net	7,993,124	8,234,866
Prepaid expenses and other	108,527	56,438
Refundable income taxes	140,650	140,650
Deferred income taxes	<u>211,394</u>	<u>211,394</u>
TOTAL CURRENT ASSETS	<u>16,850,933</u>	<u>16,899,771</u>
PROPERTY, PLANT, AND EQUIPMENT less-accumulated depreciation	<u>31,785,360</u> <u>21,448,938</u> <u>10,336,422</u>	<u>30,646,744</u> <u>20,315,938</u> <u>10,330,806</u>
DEFERRED INCOME TAXES	<u>802,786</u>	<u>1,248,786</u>
OTHER ASSETS	<u>74,583</u>	<u>86,001</u>
TOTAL ASSETS	<u>\$ 28,064,724</u>	<u>\$ 28,565,364</u>

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

EDAC TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007 <u>(Unaudited)</u>	December 30, 2006 <u>(Audited)</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Equipment line of credit	\$ 756,340	\$ -
Revolving line of credit	-	1,000,000
Current portion of long-term debt	1,959,503	1,895,436
Trade accounts payable	3,586,054	4,806,090
Accrued employee compensation and amounts withheld	1,697,205	1,511,820
Other accrued expenses	328,084	355,415
Customer advances	<u>116,552</u>	<u>120,767</u>
TOTAL CURRENT LIABILITIES	<u>8,443,738</u>	<u>9,689,528</u>
LONG-TERM DEBT, less current portion	<u>7,083,514</u>	<u>8,081,720</u>
OTHER LONG-TERM LIABILITIES	<u>163,981</u>	<u>163,981</u>
SHAREHOLDERS' EQUITY:		
Common stock, par value \$.0025 per share; 10,000,000 shares authorized; issued - 4,583,103 on June 30, 2007 and 4,526,437 on December 30, 2006	11,458	11,316
Additional paid-in capital	9,672,941	9,530,688
Retained earnings	<u>4,172,133</u>	<u>2,571,172</u>
	13,856,532	12,113,176
Less: accumulated other comprehensive loss	<u>1,483,041</u>	<u>1,483,041</u>
TOTAL SHAREHOLDERS' EQUITY	<u>12,373,491</u>	<u>10,630,135</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 28,064,724</u>	<u>\$ 28,565,364</u>

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

EDAC TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Sales	\$12,467,061	\$9,580,774	\$24,782,699	\$19,176,353
Cost of sales	<u>10,020,820</u>	<u>7,816,023</u>	<u>19,988,914</u>	<u>15,786,957</u>
Gross profit	2,446,241	1,764,751	4,793,785	3,389,396
Selling, general and administrative expenses	<u>980,025</u>	<u>970,278</u>	<u>1,897,650</u>	<u>1,984,143</u>
Income from operations	1,466,216	794,473	2,896,135	1,405,253
Non-operating income (expense):				
Interest expense	(170,053)	(165,076)	(364,489)	(318,475)
Other	<u>5,520</u>	<u>41,634</u>	<u>10,315</u>	<u>56,022</u>
Income before income taxes	1,301,683	671,031	2,541,961	1,142,800
Provision for income taxes	<u>482,000</u>	<u>257,000</u>	<u>941,000</u>	<u>436,000</u>
Net income	<u>\$819,683</u>	<u>\$414,031</u>	<u>\$1,600,961</u>	<u>\$706,800</u>

Income per share data (Note A):

Basic	<u>\$ 0.18</u>	<u>\$ 0.09</u>	<u>\$ 0.35</u>	<u>\$ 0.16</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.09</u>	<u>\$ 0.33</u>	<u>\$ 0.15</u>

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

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

	<u>For the six months ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>
Operating Activities:		
Net income	\$1,600,961	\$706,800
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,144,418	1,019,688
Deferred income taxes	446,000	74,000
Gain on sale of property, plant & equipment	-	(25,540)
Stock compensation expense Pursuant to stock options	27,612	18,401
Excess tax benefit from share-based compensation	(62,000)	(4,000)
Changes in working capital items	<u>(646,913)</u>	<u>(1,204,660)</u>
Net cash provided by operating activities	<u>2,510,078</u>	<u>584,689</u>
Investing Activities:		
Additions to property, plant and equipment	(1,138,616)	(1,900,889)
Proceeds from sale of property, plant and equipment	<u>-</u>	<u>50,400</u>
Net cash used in investing activities	<u>(1,138,616)</u>	<u>(1,850,489)</u>
Financing Activities:		
Decrease in lines of credit, net	(243,660)	-
Repayments of long-term debt	(934,139)	(737,841)
Borrowing on long-term debt	-	818,877
Proceeds from exercise of options and issuance of common stock	114,783	10,158
Excess tax benefit from share-based compensation	<u>62,000</u>	<u>4,000</u>
Net cash (used in) provided by financing activities	<u>(1,001,016)</u>	<u>95,194</u>
Increase (decrease) in cash	370,446	(1,170,606)
Cash at beginning of period	<u>925,197</u>	<u>2,468,964</u>
Cash at end of period	<u>\$1,295,643</u>	<u>\$1,298,358</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 364,489	\$ 318,475
Income taxes paid	515,973	316,025

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

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments to previously established loss provisions) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 29, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended December 30, 2006.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company has specifically identified certain inventory as obsolete or slow moving and has provided a full reserve for these parts. As of June 30, 2007 and December 30, 2006, inventories consisted of the following:

	June 30, 2007	December 30, 2006
Raw materials	\$1,088,219	\$1,972,871
Work-in-progress	6,097,629	5,636,354
Finished goods	<u>1,455,582</u>	<u>1,271,208</u>
	8,641,430	8,880,433
Reserve for excess and obsolete	<u>(648,306)</u>	<u>(645,567)</u>
Inventories, net	<u>\$7,993,124</u>	<u>\$8,234,866</u>

Income per share: The number of shares used in the income per common share computations for the three and six month periods ended June 30, 2007 and July 1, 2006 are as follows:

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30, 2007</u>	<u>July 1, 2006</u>	<u>June 30, 2007</u>	<u>July 1, 2006</u>
Basic:				
Average common shares outstanding	4,571,853	4,515,104	4,554,294	4,511,175
Diluted:				
Dilutive effect of stock options	<u>349,019</u>	<u>285,792</u>	<u>331,449</u>	<u>284,934</u>
Average common shares diluted	<u>4,920,872</u>	<u>4,800,896</u>	<u>4,885,743</u>	<u>4,796,109</u>
Options excluded since anti-dilutive	<u>-</u>	<u>37,000</u>	<u>32,000</u>	<u>47,000</u>

Comprehensive Income: Comprehensive income is the same as net income for the three and six month periods ended June 30, 2007 and July 1, 2006, since the valuation used in connection with determining the amount of the change in the Company's unfunded pension liability is determined at the end of the year.

New Accounting Standards: In June 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109)" which was effective for fiscal years beginning after December 15, 2006 with earlier adoption encouraged. This interpretation was issued to clarify the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

We adopted the provisions of FASB Interpretation No. 48 on January 1, 2007. We did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations as a result of implementing FIN 48.

We file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. We are no longer subject to U.S. federal tax and state tax examinations for years before 2001. We do not believe there will be any material changes in our unrecognized tax positions over the next 12 months.

Our policy is that we recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of FIN 48, we did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the quarter.

In September 2006, the FASB issued FASB Staff Position AUG AIR-1, "Accounting for Planned Major Maintenance Activities" which is effective for fiscal years beginning after December 15, 2006. This position statement eliminates the accrue-in-advance method of accounting for planned major maintenance activities. The adoption of FASB Staff Position AUG AIR-1 did not have a material effect on the condensed consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. We are currently evaluating the potential impact of this statement.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115" which is effective for fiscal years beginning after

November 15, 2007. This statement permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. We are currently evaluating the potential impact of this statement.

NOTE B -- FINANCING ARRANGEMENTS

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

	June 30, <u>2007</u>	December 30, <u>2006</u>
Equipment line of credit	\$ 756,340	\$ -
Revolving line of credit	-	1,000,000
Term notes	5,209,303	5,970,644
Mortgage loans	3,198,121	3,257,660
Equipment note payable	6,469	9,806
Capital lease obligations	<u>629,124</u>	<u>739,046</u>
	9,799,357	10,977,156
Less - equipment line of credit	756,340	-
Less - revolving line of credit	-	1,000,000
Less - current portion of long-term debt	<u>1,959,503</u>	<u>1,895,436</u>
	<u>\$ 7,083,514</u>	<u>\$ 8,081,720</u>

On July 18, 2007, the Company's equipment line of credit with TD Banknorth N.A. was amended to provide up to \$4,700,000 for eligible equipment purchases during the period August 1, 2007 through July 31, 2008. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2008, unless converted earlier at the option of the Company, with monthly payments of principal and interest in an amount to amortize the then existing principal balance in 60 equal monthly payments including interest at the then FHLBB 5 year Regular Amortizing Advance Rate plus 2%. As of July 18, 2007 advances on the equipment line of credit in the amount of \$1,515,540 were converted to a term note due in 60 monthly installments of \$30,432 including interest at 7.47%.

The Company's credit facility with TD Banknorth N.A. includes a revolving line of credit which provides for borrowing up to \$5,000,000, limited to an amount determined by a formula based on percentages of receivables and inventory. Although payable on demand, the revolving line of credit is reviewed annually by the bank and renewed at its discretion. As of July 18, 2007, the bank renewed the Company's \$5,000,000 revolving line of credit.

NOTE C – DEFINED BENEFIT PENSION PLAN

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>
Components of net periodic benefit cost:				
Interest cost	\$88	\$85	\$176	\$170
Expected return on plan assets	(90)	(81)	(180)	(162)
Amortization of actuarial loss	<u>10</u>	<u>28</u>	<u>20</u>	<u>56</u>
Net periodic pension expense	<u>\$8</u>	<u>\$32</u>	<u>\$16</u>	<u>\$ 64</u>

Company contributions paid to the plan for the three and six month periods ended June 30, 2007 totaled \$69,756 and \$139,512, respectively.

NOTE D – INCOME TAXES

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>
Current provision	\$262	\$213	\$495	\$362
Deferred provision	<u>220</u>	<u>44</u>	<u>446</u>	<u>74</u>
Total provision	<u>\$482</u>	<u>\$257</u>	<u>\$941</u>	<u>\$436</u>

The income tax provisions for the three and six month periods ended June 30, 2007 were calculated using an effective rate of 37%. The income tax provisions for the three and six month periods ended July 1, 2006, were calculated using an effective rate of 38%.

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

Sales.

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

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>
Aerospace customers	\$9,332	\$6,148	\$18,512	\$12,018
Non-aerospace customers	<u>3,135</u>	<u>3,433</u>	<u>6,271</u>	<u>7,158</u>
	<u>\$12,467</u>	<u>\$9,581</u>	<u>\$24,783</u>	<u>\$19,176</u>

The Company's sales increased \$2,886,000, or 30.1%, and \$5,607,000, or 29.2% for the three and six month periods ended June 30, 2007, respectively, as compared to the three and six month periods ended July 1, 2006. Sales to aerospace customers increased \$3,184,000, or 51.8%, and \$6,494,000, or 54.0%, for the three months and six months ended June 30, 2007, respectively, as compared to the three and six month periods

ended July 1, 2006, due to the increase in shipments of commercial jet engine parts. Sales to non-aerospace customers decreased \$298,000, or 8.7%, and \$887,000, or 12.4%, for the three and six months ended June 30, 2007, respectively, as compared to the three and six month periods ended July 1, 2006, primarily due to decreased demand from a customer in the consumer products industry.

Sales and sales increases (decreases) by product line for the three and six month periods ended June 30, 2007 compared to the three and six month periods ended July 1, 2006 were as follows (in thousands):

<u>Product Line</u>	<u>For the Three Months Ended</u>		
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>	<u>Change</u>
Precision Aerospace	\$6,610	\$3,709	\$2,901
Apex Machine Tool	4,789	4,724	65
Gros-Ite Spindles	<u>1,068</u>	<u>1,148</u>	<u>(80)</u>
Total	<u>\$12,467</u>	<u>\$9,581</u>	<u>\$2,886</u>

<u>Product Line</u>	<u>For the Six Months Ended</u>		
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>	<u>Change</u>
Precision Aerospace	\$12,977	\$7,324	\$5,653
Apex Machine Tool	9,889	9,566	323
Gros-Ite Spindles	<u>1,917</u>	<u>2,286</u>	<u>(369)</u>
Total	<u>\$24,783</u>	<u>\$19,176</u>	<u>\$5,607</u>

Sales for the Precision Aerospace product line increased \$2,901,000, or 78.2%, and \$5,653,000, or 77.2%, for the three and six months ended June 30, 2007, as compared to the three and six months ended July 1, 2006. The increase was due to increased shipments of jet engine parts to its major aerospace customers. The Company's sales backlog for Precision Aerospace increased by \$2.1 million from December 30, 2006 to \$24.9 million at June 30, 2007. The Company believes that the aerospace industry's demand for its machining services will continue to increase. To further increase machining capacity in support of the Precision Aerospace product line, the Company has ordered over \$1,400,000 for additional machinery and equipment yet to be placed in service in 2007.

Sales for the Apex Machine Tool product line increased \$65,000, or 1.4% and \$323,000, or 3.4%, for the three and six month periods ended June 30, 2007, as compared to the three and six months ended July 1, 2006. This increase was due to increased sales to new customers as a result of the Company's diversification initiative, partially offset by a decrease in sales to a customer in the consumer products industry. Based on projections from this consumer products customer for the remainder of 2007, the Company anticipates demand to be at a reduced level from 2006. Based on projections from its other customers, the Company anticipates a

continuation of the demand from such customers for the remainder of 2007 for its Apex Machine Tool product line.

Sales for the Gros-Ite Spindles product line decreased \$80,000, or 7.0%, and \$369,000 or 16.1% for the three and six months ended June 30, 2007, as compared to the three and six months ended July 1, 2006. The decrease in sales was due to decreased demand for new spindles, as well as the decreased demand for the repair of all brands of spindles. The Company believes that demand will remain at these levels for the remainder of 2007, based on indications from its customers.

As of June 30, 2007, the Company's sales backlog was approximately \$31,500,000 compared to \$28,800,000 as of December 30, 2006. Backlog consists of accepted purchase orders that are cancelable by the customer without penalty, except for payment of costs incurred. The Company presently expects to complete approximately \$17,900,000 of its June 30, 2007 backlog during the remainder of the 2007 fiscal year. The remaining \$13,600,000 of backlog is deliverable in fiscal year 2008 and beyond.

Cost of Sales. Cost of sales as a percentage of sales decreased to 80.4% from 81.6%, for the three months ended June 30, 2007, compared to the three month period ended July 1, 2006. Cost of sales as a percentage of sales decreased to 80.7%, from 82.3%, for the six months ended June 30, 2007, compared to the six month period ended July 1, 2006. The decreases were due primarily to (i) a more profitable mix of products produced and sold and (ii) sales levels increasing in 2007 greater than manufacturing costs due to the fixed element or semi-fixed element of certain manufacturing costs.

Selling, General & Administrative Expenses. Selling, general and administrative expenses increased approximately \$10,000, or 1.0%, and decreased \$86,000 or 4.4%, for the three and six month periods ended June 30, 2007, respectively, compared to the three and six month periods ended July 1, 2006.

The decrease in these costs for the six months ended June 30, 2007 was mainly the result of \$342,000 of costs associated with expansion of our manufacturing capacity by approximately 24,000 square feet and other non-recurring expenses incurred in the six months ended July 1, 2006, partially offset by increased bonus, profit sharing, and professional costs and initial fees for NASDAQ listing in the six months ended June 30, 2007.

Interest Expense. Interest expense increased approximately \$5,000, or 3.0%, and 46,000, or 14.4% for the three and six month periods ended June 30, 2007, respectively, compared to the three and six month periods ended July 1, 2006. This increase was due to increased borrowing levels.

Income Taxes. The income tax provision for the three and six months ended June 30, 2007, was calculated using an effective rate of 37%. The income tax provision for the three and six month periods ended July 1, 2006, was calculated using an effective rate of 38%.

Liquidity and Capital Resources.

Cash Flow from Operating Activities

	<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>
Net cash flows provided by operating activities:	\$2,510,000	\$585,000

Impacting operating cash flow for the first half of 2007 was an increased use of cash flow for working capital items of \$647,000. Accounts payable decreased by \$1,220,000 to more normal levels from the higher levels that had been caused by the receipt of substantial amounts of raw materials at the end of 2006 and earlier this year. Inventory decreased slightly due to the processing of raw materials, but is expected to remain at high levels due to our strong aerospace backlog. Relative to the prior year, operating cash flow was adversely impacted by increased use of cash for working capital items of \$1,205,000 due mainly to increased receivable amounts.

Cash Flow from Investing Activities

	<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>
Net cash flows used in investing activities:	\$1,139,000	\$1,851,000

Cash used in investing activities reflects the acquisition of machinery and equipment. The Company is currently installing \$1 million of machinery which will be operational in the third quarter. For the year, capital expenditures are budgeted at \$3.7 million.

Cash Flow from Financing Activities

	<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>July 1,</u> <u>2006</u>
Net cash flows (used in) provided by financing activities:	(\$1,001,000)	\$95,000

During the six months ended June 30, 2007, payments on the revolving line of credit of \$1,000,000 and \$934,000 against term debt were partially offset by the advance of \$756,000 on the equipment line of credit.

The Company's credit facility with TD Banknorth N.A. includes a revolving line of credit which provides for borrowing up to \$5,000,000, limited to an amount determined by a formula based on percentages of

receivables and inventory. Although payable on demand, the revolving line of credit is reviewed annually by the bank and renewed at its discretion. As of July 18, 2007, the bank renewed the Company's \$5,000,000 revolving line of credit.

On July 18, 2007, the Company's equipment line of credit with TD Banknorth N.A. was amended to provide up to \$4,700,000 for eligible equipment purchases during the period August 1, 2007 through July 31, 2008. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2008, unless converted earlier at the option of the Company, with monthly payments of principal and interest in an amount to amortize the then existing principal balance in 60 equal monthly payments including interest at the then FHLBB 5 year Regular Amortizing Advance Rate plus 2%. As of July 18, 2007, outstanding advances on the equipment line of credit in the amount of \$1,515,540 were converted to a term note due in 60 monthly installments of \$30,432 including interest at 7.47%.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of the Company's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management's Discussion and Analysis and Note A to the Consolidated Financial Statements in the Company's Annual Report, incorporated by reference in Form 10-K for the Company's fiscal year 2006, describe the significant accounting policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates.

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

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

Stock-Based Compensation Expense- The Company accounts for employee stock-based compensation costs in accordance with Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R"). The Black-Scholes option pricing model is utilized to estimate the fair value of employee stock based compensation at the date of grant, which requires the input of highly subjective assumptions, including expected volatility and expected life. As required under SFAS 123R, forfeitures for options granted, which are not expected to vest are estimated. Changes in these assumptions can materially affect the measure of estimated fair value of our share-based compensation.

Pension- The Company maintains a defined benefit pension plan. Assumptions used in accounting for the plan include the discount rate and expected rate of return on plan assets. The assumptions are

determined based on appropriate market indicators and are evaluated each year as of the Plan's measurement date. A change in either of these assumptions would have an effect on the Company's net periodic benefit cost.

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

All statements other than historical statements contained in this Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Without limitation, these forward looking statements include statements regarding the Company's business strategy and plans, statements about the adequacy of the Company's working capital and other financial resources, statements about the Company's bank agreements, statements about the Company's backlog, statements about the Company's action to improve operating performance, and other statements herein that are not of 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 fiscal year ended December 30, 2006. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk related to its notes payable and long-term debt is the primary source of financial market risk to the Company.

The interest rate risk is limited, however, to the exposure related to those debt instruments and credit facilities which are tied to market rates. The Company's only variable rate debt instruments are the revolving line of credit and the equipment line of credit. A hypothetical increase of 1% in the interest rate charged on the revolving line of credit would have no effect since the balance at June 30, 2007 was \$0. A hypothetical increase of 1% in the interest rate on the equipment line of credit would increase annual interest expense by approximately \$7,500, based on the June 30, 2007 outstanding balance.

The Company also maintains two mortgage loans at fixed interest rates, however, the interest rates are adjusted every five years to reflect a current index rate plus certain percentages. See Note B to the Condensed Consolidated Financial Statements. A hypothetical increase of 1% in the interest rate at the March 2011 adjustment date for the first mortgage will increase annual interest expense at that time by

approximately \$14,000. A hypothetical increase of 1% in the interest rate at the April 2009 adjustment date for the TD Banknorth N.A. mortgage will increase annual interest expense at that time by approximately \$14,000.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure and procedures

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer of the Company, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2007 and, based on this evaluation, concluded that the Company's disclosure controls and procedures are functioning in an effective manner in that they provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

ITEM 4T. CONTROLS AND PROCEDURES

Changes in internal control over financial reporting

No changes in the Company's internal control over financial reporting occurred during the three months ended June 30, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1A. RISK FACTORS

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 30, 2006.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 6, 2007 the Company held its annual meeting of shareholders. The following directors were elected at the meeting:

<u>Director</u>	<u>Votes Cast For</u>	<u>Votes Withheld</u>
Joseph Lebel	3,458,959	811,970
Dominick A. Pagano	3,455,635	815,294
Stephen J. Raffay	3,460,059	810,870
Ross C. Towne	3,457,629	813,300
Daniel C. Tracy	3,458,459	812,470

At the same meeting, the appointment of Carlin, Charron & Rosen LLP as auditors for the Company for the fiscal year ending December 29, 2007 was ratified with a vote of 3,791,300 for 85,528 against and 394,101 abstained.

ITEM 6. EXHIBITS

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

* Incorporated by reference

SIGNATURES

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

EDAC TECHNOLOGIES CORPORATION

August 1, 2007

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

EXHIBIT INDEX

<u>NUMBER</u>	<u>DESCRIPTION</u>
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32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended.

(1) Exhibit incorporated by reference to the Company's registration statement on Form S-1 dated August 6, 1985, commission file No. 2-99491, Amendment No.1.

(2) Exhibit incorporated by reference to the Company's Report on Form 8-K dated February 19, 2002.

* Filed herewith.