

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 September 29, 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 October 26, 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

	September 29, 2007 <u>(Unaudited)</u>	December 30, 2006 <u>(Audited)</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 2,750,300	\$ 925,197
Trade accounts receivable, (net of allowance for doubtful accounts of \$110,000 as of September 29, 2007 and December 30, 2006)	7,752,080	7,331,226
Inventories, net	7,668,798	8,234,866
Prepaid expenses and other	147,302	56,438
Refundable income taxes	-	140,650
Deferred income taxes	<u>211,394</u>	<u>211,394</u>
TOTAL CURRENT ASSETS	<u>18,529,874</u>	<u>16,899,771</u>
PROPERTY, PLANT, AND EQUIPMENT less-accumulated depreciation	<u>32,952,486</u> <u>22,013,938</u> <u>10,938,548</u>	<u>30,646,744</u> <u>20,315,938</u> <u>10,330,806</u>
DEFERRED INCOME TAXES	<u>561,786</u>	<u>1,248,786</u>
OTHER ASSETS, net	<u>68,874</u>	<u>86,001</u>
TOTAL ASSETS	<u>\$ 30,099,082</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

	September 29, 2007 <u>(Unaudited)</u>	December 30, 2006 <u>(Audited)</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Revolving line of credit	\$ -	\$1,000,000
Current portion of long-term debt	2,254,095	1,895,436
Trade accounts payable	4,408,010	4,806,090
Accrued employee compensation and amounts withheld	1,827,462	1,511,820
Other accrued expenses	246,214	355,415
Customer advances	<u>131,689</u>	<u>120,767</u>
TOTAL CURRENT LIABILITIES	<u>8,867,470</u>	<u>9,689,528</u>
LONG-TERM DEBT, less current portion	<u>7,786,004</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 - 4,613,103 on September 29, 2007 and 4,526,437 on December 30, 2006	11,533	11,316
Additional paid-in capital	9,716,672	9,530,688
Retained earnings	<u>5,036,463</u>	<u>2,571,172</u>
	14,764,668	12,113,176
Less: accumulated other comprehensive loss	<u>1,483,041</u>	<u>1,483,041</u>
TOTAL SHAREHOLDERS' EQUITY	<u>13,281,627</u>	<u>10,630,135</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 30,099,082</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 nine months ended</u>	
	<u>Sept 29, 2007</u>	<u>Sept 30, 2006</u>	<u>Sept 29, 2007</u>	<u>Sept 30, 2006</u>
Sales	\$12,525,403	\$8,178,356	\$37,308,102	\$27,354,709
Cost of sales	<u>10,012,338</u>	<u>7,071,446</u>	<u>30,001,252</u>	<u>22,858,403</u>
Gross profit	2,513,065	1,106,910	7,306,850	4,496,306
Selling, general and administrative expenses	<u>980,308</u>	<u>681,405</u>	<u>2,877,958</u>	<u>2,665,548</u>
Income from operations	1,532,757	425,505	4,428,892	1,830,758
Non-operating income (expense):				
Interest expense	(179,324)	(167,069)	(543,813)	(485,544)
Other	<u>18,897</u>	<u>17,619</u>	<u>29,212</u>	<u>73,641</u>
Income before income taxes	1,372,330	276,055	3,914,291	1,418,855
Provision for income taxes	<u>508,000</u>	<u>105,000</u>	<u>1,449,000</u>	<u>541,000</u>
Net income	<u>\$864,330</u>	<u>\$171,055</u>	<u>\$2,465,291</u>	<u>\$877,855</u>

Income per share data (Note A):

Basic	<u>\$ 0.19</u>	<u>\$ 0.04</u>	<u>\$ 0.54</u>	<u>\$ 0.19</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.04</u>	<u>\$ 0.50</u>	<u>\$ 0.18</u>

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

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

	<u>For the nine months ended</u>	
	<u>Sept. 29,</u>	<u>Sept. 30,</u>
	<u>2007</u>	<u>2006</u>
Operating Activities:		
Net income	\$2,465,291	\$877,855
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,715,127	1,514,127
Deferred income taxes	687,000	92,000
Gain on sale of property, plant & equipment	-	(25,540)
Stock compensation expense pursuant to stock options	41,418	27,587
Excess tax benefit from share-based compensation	(150,400)	(4,000)
Changes in working capital items	<u>14,283</u>	<u>(262,282)</u>
Net cash provided by operating activities	<u>4,772,719</u>	<u>2,219,747</u>
Investing Activities:		
Additions to property, plant and equipment	(2,305,742)	(3,101,837)
Proceeds from sale of property, plant and equipment	<u>-</u>	<u>50,400</u>
Net cash used in investing activities	<u>(2,305,742)</u>	<u>(3,051,437)</u>
Financing Activities:		
Decrease in line of credit	(1,000,000)	-
Repayments of long-term debt	(1,452,597)	(1,133,141)
Borrowing on long-term debt	1,515,540	1,270,389
Deferred loan fees	-	(1,750)
Proceeds from exercise of options and issuance of common stock	144,783	10,158
Excess tax benefit from share-based compensation	<u>150,400</u>	<u>4,000</u>
Net cash (used in) provided by financing activities	<u>(641,874)</u>	<u>149,656</u>
Increase (decrease) in cash	1,825,103	(682,034)
Cash at beginning of period	<u>925,197</u>	<u>2,468,964</u>
Cash at end of period	<u>\$2,750,300</u>	<u>\$1,786,930</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 543,813	\$ 485,544
Income taxes paid	916,648	446,025

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 nine months ended September 29, 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 September 29, 2007 and December 30, 2006, inventories consisted of the following:

	September 29, 2007	December 30, 2006
Raw materials	\$1,303,906	\$1,972,871
Work-in-progress	5,774,877	5,636,354
Finished goods	<u>1,238,321</u>	<u>1,271,208</u>
	8,317,104	8,880,433
Reserve for excess and obsolete	<u>(648,306)</u>	<u>(645,567)</u>
Inventories, net	<u>\$7,668,798</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 nine month periods ended September 29, 2007 and September 30, 2006 are as follows:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	Sept. 29, 2007	Sept. 30, 2006	Sept. 29, 2007	Sept. 30, 2006
Basic:				
Average common shares outstanding	4,605,603	4,518,437	4,571,936	4,513,354
Diluted:				
Dilutive effect of stock options	<u>348,367</u>	<u>266,020</u>	<u>337,494</u>	<u>277,851</u>
Average common shares diluted	<u>4,953,970</u>	<u>4,784,457</u>	<u>4,909,430</u>	<u>4,791,205</u>
Options excluded since anti-dilutive	<u>-</u>	<u>92,000</u>	<u>-</u>	<u>92,000</u>

Comprehensive Income: Comprehensive income is the same as net income for the three and nine month periods ended September 29, 2007 and September 30, 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:

	September 29, 2007	December 30, 2006
Revolving line of credit	\$ -	\$1,000,000
Term notes	6,294,359	5,970,644
Mortgage loans	3,168,493	3,257,660
Equipment note payable	4,751	9,806
Capital lease obligations	<u>572,496</u>	<u>739,046</u>
	10,040,099	10,977,156
Less - revolving line of credit	-	1,000,000
Less - current portion of long-term debt	<u>2,254,095</u>	<u>1,895,436</u>
	<u>\$ 7,786,004</u>	<u>\$ 8,081,720</u>

On July 18, 2007, the Company entered into a \$1,515,540 term note to finance the purchase price of previously acquired equipment, which is payable in 60 payments of \$30,432 including interest at 7.47%.

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%.

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 nine months ended</u>	
	<u>Sept. 29,</u> <u>2007</u>	<u>Sept. 30,</u> <u>2006</u>	<u>Sept. 29,</u> <u>2007</u>	<u>Sept. 30,</u> <u>2006</u>
Components of net periodic benefit cost:				
Interest cost	\$88	\$85	\$263	\$255
Expected return on plan assets	(90)	(81)	(268)	(243)
Amortization of actuarial loss	<u>10</u>	<u>28</u>	<u>30</u>	<u>84</u>
Net periodic pension expense	<u>\$8</u>	<u>\$32</u>	<u>\$25</u>	<u>\$96</u>

Company contributions paid to the plan for the three and nine month periods ended September 29, 2007 totaled \$69,756 and \$209,268, 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 nine months ended</u>	
	<u>Sept. 29,</u> <u>2007</u>	<u>Sept. 30,</u> <u>2006</u>	<u>Sept. 29,</u> <u>2007</u>	<u>Sept. 30,</u> <u>2006</u>
Current provision	\$267	\$87	\$762	\$449
Deferred provision	<u>241</u>	<u>18</u>	<u>687</u>	<u>92</u>
Total provision	<u>\$508</u>	<u>\$105</u>	<u>\$1,449</u>	<u>\$541</u>

The income tax provisions for the three and nine month periods ended September 29, 2007 were calculated using an effective rate of 37%. The income tax provisions for the three and nine month periods ended September 30, 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 nine months ended</u>	
	<u>Sept. 29,</u> <u>2007</u>	<u>Sept. 30,</u> <u>2006</u>	<u>Sept. 29,</u> <u>2007</u>	<u>Sept. 30,</u> <u>2006</u>
Aerospace customers	\$8,984	\$4,716	\$27,496	\$16,734
Non-aerospace customers	<u>3,541</u>	<u>3,462</u>	<u>9,812</u>	<u>10,621</u>
	<u>\$12,525</u>	<u>\$8,178</u>	<u>\$37,308</u>	<u>\$27,355</u>

The Company's sales increased \$4,347,000 or 53.2%, and \$9,953,000, or 36.4% for the three and nine month periods ended September 29, 2007, respectively, as compared to the three and nine month periods ended September 30, 2006. Sales to aerospace customers increased \$4,268,000, or 90.5%, and \$10,762,000, or 64.3%, for the three and nine month periods ended September 29, 2007, respectively, as compared to the three

and nine month periods ended September 30, 2006, due to the increase in shipments of commercial jet engine parts. Sales to non-aerospace customers increased \$79,000, or 2.3%, and decreased \$809,000, or 7.6%, for the three and nine month periods ended September 29, 2007, respectively, as compared to the three and nine month periods ended September 30, 2006. The decrease is primarily due to decreased demand commencing in the second quarter of 2006 from a customer in the consumer products industry.

Sales and sales increases (decreases) by product line for the three and nine month periods ended September 29, 2007 compared to the three and nine month periods ended September 30, 2006 were as follows (in thousands):

<u>Product Line</u>	<u>For the Three Months Ended</u>		<u>Change</u>
	<u>Sept. 29, 2007</u>	<u>Sept. 30, 2006</u>	
Precision Aerospace	\$6,867	\$3,617	\$3,250
Apex Machine Tool	4,714	3,565	1,149
Gros-Ite Spindles	<u>944</u>	<u>996</u>	<u>(52)</u>
Total	<u>\$12,525</u>	<u>\$8,178</u>	<u>\$4,347</u>

<u>Product Line</u>	<u>For the Nine Months Ended</u>		<u>Change</u>
	<u>Sept. 29, 2007</u>	<u>Sept. 30, 2006</u>	
Precision Aerospace	\$19,844	\$10,941	\$8,903
Apex Machine Tool	14,603	13,132	1,471
Gros-Ite Spindles	<u>2,861</u>	<u>3,282</u>	<u>(421)</u>
Total	<u>\$37,308</u>	<u>\$27,355</u>	<u>\$9,953</u>

Sales for the Precision Aerospace product line increased \$3,250,000, or 89.9%, and \$8,903,000, or 81.4%, for the three and nine month periods ended September 29, 2007, respectively, as compared to the three and nine month periods ended September 30, 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 \$1.7 million from December 30, 2006 to \$24.5 million at September 29, 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 \$600,000 of additional machinery and equipment yet to be placed in service in 2007.

Sales for the Apex Machine Tool product line increased \$1,149,000, or 32.2% and \$1,471,000, or 11.2%, for the three and nine month periods

ended September 29, 2007, respectively, as compared to the three and nine months ended September 30, 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 \$52,000, or 5.2%, and \$421,000 or 12.8% for the three and nine month periods ended September 29, 2007, respectively, as compared to the three and nine month periods ended September 30, 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 September 29, 2007, the Company's sales backlog was approximately \$31,900,000 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 \$9,600,000 of its September 29, 2007 backlog during the remainder of the 2007 fiscal year. The remaining \$22,300,000 of backlog is deliverable in fiscal year 2008 and beyond.

Cost of Sales. Cost of sales as a percentage of sales decreased to 79.9% from 86.5%, for the three month period ended September 29, 2007, compared to the three month period ended September 30, 2006. Cost of sales as a percentage of sales decreased to 80.4%, from 83.6%, for the nine month period ended September 29, 2007 compared to the nine month period ended September 30, 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 \$299,000, or 43.9%, and \$212,000 or 8.0%, for the three and nine month periods ended September 29, 2007, respectively, compared to the three and nine month periods ended September 30, 2006.

The increase in these costs for the nine months ended September 29, 2007 was mainly the result of increased incentive compensation, professional costs, and initial fees for NASDAQ listing.

Interest Expense. Interest expense increased approximately \$12,000, or 7.3%, and 58,000, or 12.0% for the three and nine month periods ended September 29, 2007, respectively, compared to the three and nine month periods ended September 30, 2006. This increase was due to increased borrowing levels.

Income Taxes. The income tax provision for the three and nine month periods ended September 29, 2007, was calculated using an effective rate

of 37%. The income tax provision for the three and nine month periods ended September 30, 2006, was calculated using an effective rate of 38%.

Liquidity and Capital Resources.

Cash Flow from Operating Activities

	<u>Nine Months Ended</u>	
	<u>September 29,</u>	<u>September 30,</u>
	<u>2007</u>	<u>2006</u>
Net cash flows provided by operating activities:	\$4,773,000	\$2,220,000

Impacting operating cash flow for the first nine months of 2007 was a source of cash flow for working capital items of \$14,000. Accounts payable decreased by \$398,000 from the higher levels that had been caused by the receipt of substantial amounts of raw materials at the end of 2006 and the first quarter of this year. Inventory decreased by \$566,000 due to the processing of raw materials, but is expected to remain at higher levels compared to periods prior to the third quarter of 2006, due to our aerospace backlog. During the prior year period, operating cash flow was adversely impacted by increased use of cash for working capital items of \$262,000 due mainly to increased inventories.

Cash Flow from Investing Activities

	<u>Nine Months Ended</u>	
	<u>September 29,</u>	<u>September 30,</u>
	<u>2007</u>	<u>2006</u>
Net cash flows used in investing activities:	\$2,306,000	\$3,051,000

Cash used in investing activities reflects the acquisition of machinery and equipment. For the year, capital expenditures are projected at \$3.0 million.

Cash Flow from Financing Activities

	<u>Nine Months Ended</u>	
	<u>September 29,</u>	<u>September 30,</u>
	<u>2007</u>	<u>2006</u>
Net cash flows (used in) provided by financing activities:	\$(642,000)	\$150,000

During the nine months ended September 29, 2007, payments on the revolving line of credit of \$1,000,000 and \$1,453,000 against term debt were partially offset by a new term note in the amount of \$1,516,000.

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%.

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 would have no effect on the revolving line of credit or the equipment line of credit since the current balances are \$0.

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 September 29, 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 September 29, 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 6. EXHIBITS

3.1* EDAC's Amended and Restated Articles of Incorporation

3.2* EDAC's Amended and Restated By-laws

10.1* 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.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

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

* Incorporated by reference

SIGNATURES

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

EDAC TECHNOLOGIES CORPORATION

October 31, 2007

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

EXHIBIT INDEX

<u>NUMBER</u>	<u>DESCRIPTION</u>
3.1	EDAC's Amended and Restated Articles of Incorporation (1)
3.2	EDAC's Amended and Restated By-laws (2)
10.1	Term Note dated as of July 18, 2007 by and among EDAC, (3) Apex Machine Tool Company, Inc., Gros-Ite Industries, Inc. and TD Banknorth, N.A.
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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.

(3) Exhibit incorporated by reference to the Company's Report on Form 8-K dated July 18, 2007.

* Filed herewith.