

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 27, 2008

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

On October 29, 2008 there were outstanding 4,825,303 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 27, 2008 <u>(Unaudited)</u>	December 29, 2007 <u>(Audited)</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 2,011,935	\$ 3,286,203
Trade accounts receivable, (net of allowance for doubtful accounts of \$186,000 as of September 27, 2008 and December 29, 2007)	8,035,291	7,638,573
Inventories, net	9,648,975	6,598,111
Prepaid expenses and other	143,905	51,339
Refundable income taxes	-	284,577
Deferred income taxes	<u>880,124</u>	<u>933,124</u>
TOTAL CURRENT ASSETS	<u>20,720,230</u>	<u>18,791,927</u>
 PROPERTY, PLANT, AND EQUIPMENT less-accumulated depreciation	 35,192,245 <u>23,665,109</u> <u>11,527,136</u>	 34,869,219 <u>22,390,417</u> <u>12,478,802</u>
OTHER ASSETS:		
Deposits on equipment	749,250	-
Other	<u>474,924</u>	<u>492,051</u>
 TOTAL ASSETS	 <u>\$ 33,471,540</u>	 <u>\$ 31,762,780</u>

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

EDAC TECHNOLOGIES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 27, 2008 <u>(Unaudited)</u>	December 29, 2007 <u>(Audited)</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Equipment line of credit	\$1,365,590	\$ -
Current portion of long-term debt	2,350,876	2,285,704
Trade accounts payable	4,342,755	4,021,827
Accrued employee compensation and amounts withheld	1,484,161	1,800,390
Other accrued expenses	226,508	395,950
Customer advances	<u>891,827</u>	<u>424,439</u>
TOTAL CURRENT LIABILITIES	<u>10,661,717</u>	<u>8,928,310</u>
LONG-TERM DEBT, less current portion	<u>5,434,412</u>	<u>7,204,769</u>
DEFERRED INCOME TAXES	<u>448,660</u>	<u>448,660</u>
SHAREHOLDERS' EQUITY:		
Common stock, \$.0025 par value; issued and outstanding: 4,825,303 on September 27, 2008 and 4,636,303 on December 29, 2007	12,063	11,591
Additional paid-in capital	10,573,271	10,245,877
Retained earnings	<u>7,438,086</u>	<u>6,020,242</u>
	18,023,420	16,277,710
Less: accumulated other comprehensive loss	<u>1,096,669</u>	<u>1,096,669</u>
TOTAL SHAREHOLDERS' EQUITY	<u>16,926,751</u>	<u>15,181,041</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 33,471,540</u>	<u>\$ 31,762,780</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 27, 2008</u>	<u>Sept 29, 2007</u>	<u>Sept 27, 2008</u>	<u>Sept 29, 2007</u>
Sales	\$10,547,124	\$12,525,403	\$32,577,388	\$37,308,102
Cost of sales	<u>9,161,877</u>	<u>10,012,338</u>	<u>27,276,156</u>	<u>30,001,252</u>
Gross profit	1,385,247	2,513,065	5,301,232	7,306,850
Selling, general and administrative expenses	<u>842,868</u>	<u>980,308</u>	<u>2,676,232</u>	<u>2,877,958</u>
Income from operations	542,379	1,532,757	2,625,000	4,428,892
Non-operating income (expense):				
Interest expense	(158,885)	(179,324)	(478,510)	(543,813)
Other	<u>8,425</u>	<u>18,897</u>	<u>62,354</u>	<u>29,212</u>
Income before income taxes	391,919	1,372,330	2,208,844	3,914,291
Provision for income taxes	<u>137,000</u>	<u>508,000</u>	<u>791,000</u>	<u>1,449,000</u>
Net income	<u>\$254,919</u>	<u>\$864,330</u>	<u>\$1,417,844</u>	<u>\$2,465,291</u>
Income per share data (Note A):				
Basic	<u>\$ 0.05</u>	<u>\$ 0.19</u>	<u>\$ 0.30</u>	<u>\$ 0.54</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.17</u>	<u>\$ 0.28</u>	<u>\$ 0.50</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>September 27,</u> 2008	<u>September 29,</u> 2007
Operating Activities:		
Net income	\$1,417,844	\$2,465,291
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,539,627	1,715,127
Deferred income taxes	53,000	687,000
Gain on sale of property, plant & equipment	(21,850)	-
Stock compensation expense pursuant to stock options	167,247	41,418
Excess tax benefit from share-based compensation	(309,150)	(150,400)
Changes in working capital items	<u>(2,952,926)</u>	<u>14,283</u>
Net cash (used in) provided by operating activities	<u>(106,208)</u>	<u>4,772,719</u>
Investing Activities:		
Additions to property, plant and equipment	(570,834)	(2,305,742)
Equipment deposits	(749,250)	-
Proceeds from sale of property, plant and equipment	<u>21,850</u>	<u>-</u>
Net cash used in investing activities	<u>(1,298,234)</u>	<u>(2,305,742)</u>
Financing Activities:		
Increase (decrease) in lines of credit, net	1,365,590	(1,000,000)
Repayments of long-term debt	(1,705,185)	(1,452,597)
Borrowing on long-term debt	-	1,515,540
Proceeds from exercise of options and issuance of common stock	160,619	144,783
Excess tax benefit from share-based compensation	<u>309,150</u>	<u>150,400</u>
Net cash provided by (used in) financing activities	<u>130,174</u>	<u>(641,874)</u>
(Decrease) increase in cash	(1,274,268)	1,825,103
Cash at beginning of period	<u>3,286,203</u>	<u>925,197</u>
Cash at end of period	<u><u>\$2,011,935</u></u>	<u><u>\$2,750,300</u></u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 478,511	\$ 543,813
Income taxes paid	526,000	916,648

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 ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments to previously established loss provisions) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 27, 2008 are not necessarily indicative of the results that may be expected for the year ending January 3, 2009. 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 29, 2007.

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 27, 2008 and December 29, 2007, inventories consisted of the following:

	September 27, 2008	December 29, 2007
Raw materials	\$1,084,615	\$1,530,440
Work-in-progress	7,680,032	4,635,437
Finished goods	<u>1,526,956</u>	<u>1,110,957</u>
	10,291,603	7,276,834
Reserve for excess and obsolete	<u>(642,628)</u>	<u>(678,723)</u>
Inventories, net	<u>\$9,648,975</u>	<u>\$6,598,111</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 27, 2008 and September 29, 2007 are as follows:

	<u>For the three months ended</u>		<u>For the nine months ended</u>	
	Sept. 27, 2008	Sept. 29, 2007	Sept. 27, 2008	Sept. 29, 2007
Basic:				
Average common shares outstanding	4,746,137	4,605,603	4,693,020	4,571,936
Diluted:				
Dilutive effect of stock options	<u>393,785</u>	<u>348,367</u>	<u>459,719</u>	<u>337,494</u>
Average common shares diluted	<u>5,139,922</u>	<u>4,953,970</u>	<u>5,152,739</u>	<u>4,909,430</u>
Options excluded since anti-dilutive	<u>198,500</u>	-	<u>188,500</u>	-

Comprehensive Income: Comprehensive income is the same as net income for the three and nine month periods ended September 27, 2008 and September 29, 2007, 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.

Recently Adopted Accounting Standards: In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" which defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, except as it relates to non-recurring fair value measurements of nonfinancial assets and liabilities for which the standard is effective for fiscal years beginning after November 15, 2008. The adoption of SFAS No. 157 in the fiscal year 2008 with respect to financial assets and liabilities did not have a significant effect on the Company's condensed consolidated results of operations or financial position. In addition, the Company is evaluating the impact of SFAS No. 157 for measuring nonfinancial assets and liabilities on future results of operations and financial position.

New Accounting Standards, Not Yet Effective: In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS 141(R)), which replaces SFAS No. 141, "Business Combinations." SFAS 141(R) retains the underlying concepts of SFAS 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting but SFAS 141(R) changed the method of applying the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS 141(R) is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141(R) amends SFAS 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141(R). Early adoption is not permitted.

NOTE B -- FINANCING ARRANGEMENTS

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

	September 27, 2008	December 29, 2007
Term notes	\$4,406,977	\$5,834,479
Mortgage loans	3,043,153	3,138,313
Equipment note payable	-	2,999
Capital lease obligations	<u>335,158</u>	<u>514,682</u>
	7,785,288	9,490,473
Less - current portion of long-term debt	<u>2,350,876</u>	<u>2,285,704</u>
	<u>\$ 5,434,412</u>	<u>\$ 7,204,769</u>

The Company's credit facility with TD Bank, N.A. includes a revolving line of credit which provides for borrowing up to \$5,000,000, limited to an amount determined by a formula based on percentages of receivables and inventory. Although payable on demand, the revolving line of credit is reviewed annually by the bank and renewed at its discretion. On June 13, 2008, the bank renewed the Company's \$5,000,000 revolving line of credit through July 31, 2009.

On June 13, 2008, the Company's equipment line of credit with TD Bank, N.A. was amended to provide up to \$4,700,000 for eligible equipment purchases during the period June 13, 2008 through July 31, 2009. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2009, 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 September 27, 2008, approximately \$1,366,000 was outstanding on the equipment line of credit with \$5,000,000 and approximately \$3,334,000 available for additional borrowings on the revolving line of credit and the equipment line of credit, respectively.

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>	
	Sept. 27, 2008	Sept. 29, 2007	Sept. 27, 2008	Sept. 29, 2007
Components of net periodic benefit cost:				
Interest cost	\$91	\$88	\$273	\$263
Expected return on plan assets	(93)	(90)	(279)	(268)
Amortization of actuarial loss	<u>2</u>	<u>10</u>	<u>6</u>	<u>30</u>
Net periodic pension expense	<u>\$ 0</u>	<u>\$ 8</u>	<u>\$ 0</u>	<u>\$ 25</u>

Company contributions paid to the plan for the three and nine month periods ended September 27, 2008 totaled \$0 and \$50,200, respectively.

The Company had taken initial steps to terminate its defined benefit pension plan, including the filing of a standard notice with the PBGC. Due to market conditions, on September 19, 2008, the Company notified the PGBC that it was withdrawing its decision to terminate the plan.

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. 27, 2008</u>	<u>Sept. 29, 2007</u>	<u>Sept. 27, 2008</u>	<u>Sept. 29, 2007</u>
Current provision	\$128	\$267	\$738	\$762
Deferred provision	<u>9</u>	<u>241</u>	<u>53</u>	<u>687</u>
Total provision	<u>\$137</u>	<u>\$508</u>	<u>\$791</u>	<u>\$1,449</u>

The income tax provisions for the three and nine month periods ended September 27, 2008 were calculated using an effective rate of 35% and 35.8%, respectively. The income tax provisions for the three and nine month periods ended September 29, 2007, were calculated using an effective rate of 37%.

The Internal Revenue Service completed its examination of the Company's 2005 tax return, making no change in the Company's reported tax.

NOTE E – SHAREHOLDERS' EQUITY

At the Company's annual meeting of shareholders held on June 4, 2008, the Company's shareholders approved the EDAC Technologies Corporation 2008 Equity Incentive Plan (the "2008 Plan"). The Company's Board of Directors had previously adopted the 2008 Plan on March 4, 2008, subject to the approval of the Company's shareholders. The Company has reserved 500,000 shares of common stock for issuance under the 2008 Plan.

At the same meeting, the Company's shareholders approved an amendment to the Company's Articles of Incorporation to increase the total number of shares of common stock, \$0.0025 par value, that the Company is authorized to issue from 10,000,000 to 20,000,000.

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

Sales.

The Company's sales decreased \$1,978,000 or 15.8%, and \$4,731,000, or 12.7% for the three and nine month periods ended September 27, 2008, respectively, as compared to the three and nine month periods ended September 29, 2007. Sales and sales (decreases) increases by product line for the three and nine month periods ended September 27, 2008 compared to the three and nine month periods ended September 29, 2007 were as follows (in thousands):

<u>Product Line</u>	<u>For the three months ended</u>		<u>Change</u>
	<u>Sept. 27, 2008</u>	<u>Sept. 29, 2007</u>	
Precision Aerospace	\$5,536	\$6,867	\$(1,331)
Apex Machine Tool	4,019	4,714	(695)
Gros-Ite Spindles	<u>992</u>	<u>944</u>	<u>48</u>
Total	<u>\$10,547</u>	<u>\$12,525</u>	<u>\$(1,978)</u>

<u>Product Line</u>	<u>For the nine months ended</u>		<u>Change</u>
	<u>Sept. 27, 2008</u>	<u>Sept. 29, 2007</u>	
Precision Aerospace	\$16,290	\$19,844	\$(3,554)
Apex Machine Tool	13,307	14,603	(1,296)
Gros-Ite Spindles	<u>2,980</u>	<u>2,861</u>	<u>119</u>
Total	<u>\$32,577</u>	<u>\$37,308</u>	<u>\$(4,731)</u>

Sales for the Precision Aerospace product line decreased \$1,331,000, or 19.4%, and \$3,554,000, or 17.9%, for the three and nine month periods ended September 27, 2008, respectively, as compared to the three and nine month periods ended September 29, 2007. The decrease was due to decreased shipments of certain jet engine parts to our major aerospace customers resulting from modification of delivery schedules on the part of the customers. The Company's sales backlog for Precision Aerospace increased by \$21.9 million from December 29, 2007 to \$45.8 million at September 27, 2008. The Company believes that its sales to the aerospace industry of its machining services will decrease in the fourth quarter compared to the third quarter due to Boeing's production delays in the 787 program and delivery delays in its 777 program caused by its machinists' strike, and then increase in 2009 after resolution of the production delays and conclusion of the strike. To further increase machining capacity in support of the Precision Aerospace product line backlog increase, the Company has ordered \$2.5 million of additional machinery and equipment to be placed in service in early 2009.

Sales for the Apex Machine Tool product line decreased \$695,000, or 14.7% and \$1,296,000, or 8.9%, for the three and nine month periods ended September 27, 2008, respectively, as compared to the three and nine months ended September 29, 2007. Apex Machine Tool committed certain of its resources over the last two quarters to the process development and production of a significant customer order of approximately \$2 million. This order will be shipped upon completion and revenue recognized in late 2008 and early 2009.

Sales for the Gros-Ite Spindles product line increased \$48,000, or 5.1%, and \$119,000 or 4.2% for the three and nine month periods ended September 27, 2008, respectively, as compared to the three and nine month periods ended September 29, 2007. The Company believes that demand will remain flat for the remainder of 2008.

As of September 27, 2008, the Company's total sales backlog was approximately \$54,000,000 compared to \$30,100,000 as of December 29, 2007. 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 \$9,900,000 of its September 27, 2008 backlog during the remainder of the 2008 fiscal year. The remaining \$44,100,000 of backlog is deliverable in fiscal year 2009 and beyond.

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. 27,</u>	<u>Sept. 29,</u>	<u>Sept. 27,</u>	<u>Sept. 29,</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Aerospace customers	\$7,248	\$8,984	\$23,435	\$27,496
Non-aerospace customers	<u>3,299</u>	<u>3,541</u>	<u>9,142</u>	<u>9,812</u>
	<u>\$10,547</u>	<u>\$12,525</u>	<u>\$32,577</u>	<u>\$37,308</u>

Sales to aerospace customers decreased \$1,736,000, or 19.3%, and \$4,061,000, or 14.8%, for the three and nine month periods ended September 27, 2008, respectively, as compared to the three and nine month periods ended September 29, 2007, due to the decrease in shipments of certain commercial jet engine parts resulting from modification of delivery schedules on the part of the customers partially offset by increased sales within the Apex Machine Tool product line to aerospace customers. Sales to non-aerospace customers decreased \$242,000, or 6.8%, and \$670,000, or 6.8%, for the three and nine month periods ended September 27, 2008, as compared to the three and nine month periods ended September 29, 2007, primarily due to decreased sales to a customer in the consumer products industry and to Apex Machine Tool's commitment of certain of its resources to the process development and production of a significant customer order as mentioned above.

Cost of Sales. Cost of sales as a percentage of sales increased to 86.9% from 79.9%, for the three month period ended September 27, 2008, compared to the three month period ended September 29, 2007. Cost of sales as a percentage of sales increased to 83.7%, from 80.4%, for the nine month period ended September 27, 2008 compared to the nine month period ended September 29, 2007. The increases were due primarily to sales levels decreasing in 2008 greater than manufacturing costs due to the fixed or semi-fixed element of certain manufacturing costs and to increases in certain material costs.

Selling, General & Administrative Expenses. Selling, general and administrative expenses decreased approximately \$137,000, or 14.0%, and \$202,000 or 7.0%, for the three and nine month periods ended September 27, 2008, respectively, compared to the three and nine month periods ended September 29, 2007. The decrease in these costs for the quarter and nine months ended September 27, 2008 compared to the same periods in 2007 was mainly the result of decreased incentive compensation and professional costs.

Interest Expense. Interest expense decreased approximately \$20,000, or 11.4%, and \$65,000, or 12.0% for the three and nine month periods ended September 27, 2008, respectively, compared to the three and nine month

periods ended September 29, 2007. These decreases were due to decreased borrowing levels.

Income Taxes. The income tax provision for the three and nine month periods ended September 27, 2008, was calculated using an effective rate of 35% and 35.8%, respectively. The income tax provision for the three and nine month periods ended September 29, 2007, was calculated using an effective rate of 37%.

Liquidity and Capital Resources.

Cash Flow from Operating Activities

	<u>Nine Months Ended</u>	
	<u>Sept. 27, 2008</u>	<u>Sept. 29, 2007</u>
Net cash flows (used in) provided by operating activities:	\$(106,000)	\$4,773,000

Impacting operating cash flow for the first nine months of 2008 was a use of cash for working capital items of \$2,953,000. Inventory, which increased by \$3,051,000 due to changes by our aerospace customers to our delivery schedules and due to a large order in our Apex product line, was the primary factor in the change. During the prior year period, operating cash flow was impacted by an increased use of cash for working capital items of \$14,000 due mainly to decreased accounts payable offset by decreased inventory.

Cash Flow from Investing Activities

	<u>Nine Months Ended</u>	
	<u>Sept. 27, 2008</u>	<u>Sept. 29, 2007</u>
Net cash flows used in investing activities:	\$(1,298,000)	\$(2,306,000)

Cash used in investing activities reflects deposits placed on and the acquisition of machinery and equipment. Capital expenditures, including deposits, for the current fiscal year are targeted at \$2.0 to \$2.8 million.

Cash Flow from Financing Activities

	<u>Nine Months Ended</u>	
	<u>Sept. 27, 2008</u>	<u>Sept. 29, 2007</u>
Net cash flows provided by (used in) financing activities:	\$130,000	\$(642,000)

During the nine months ended September 27, 2008, payments of \$1,705,000 against term debt were offset by borrowings on the equipment line of credit totaling \$1,366,000 and by the stock option exercise proceeds and their related tax benefits. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2009, unless converted earlier at the option of the Company.

The Company's credit facility with TD Bank, N.A. includes a revolving line of credit which provides for borrowing up to \$5,000,000, limited to an amount determined by a formula based on percentages of receivables and inventory. Although payable on demand, the revolving line of credit is reviewed annually by the bank and renewed at its discretion. On June 13, 2008, the bank renewed the Company's \$5,000,000 revolving line of credit.

On June 13, 2008, the Company's equipment line of credit with TD Bank, N.A. was amended to provide up to \$4,700,000 for eligible equipment purchases during the period June 13, 2008 through July 31, 2009. Amounts advanced on the equipment line of credit will convert to a term note on July 31, 2009, 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 September 27, 2008, approximately \$1,366,000 was outstanding on the equipment line of credit with \$5,000,000 and approximately \$3,334,000 available for additional borrowings on the revolving line of credit and the equipment line of credit, respectively.

Recent distress in the financial markets has had an adverse impact on financial market activities including, among other things, extreme volatility in security prices. Our pension plan has not experienced any significant impact on liquidity due to the volatility in the credit markets. As a result of losses experienced in global equity markets, our pension funds are likely to have a negative return for 2008, which in turn would create increased pension costs in 2009. Approximately 99% of our pension plan is invested in readily-liquid investments, including equity, fixed income and real estate funds.

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 2007, describe the significant accounting policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates.

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

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

Share-based compensation - Share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). The Company estimates the fair value of stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the expected option term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company's stock options. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

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

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

All statements other than historical statements contained in this Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Without limitation, these forward looking statements include statements regarding the Company's business strategy and plans, statements about the adequacy of the Company's working capital and other financial resources, statements about the Company's bank agreements, statements about the Company's backlog, statements about the Company's action to improve operating performance, and other statements herein that are not of an historical nature. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside of the Company's control, that could cause actual results to differ materially from such statements. These include, but are not limited to, factors which could affect demand for the Company's products and services such as changes in customer delivery schedules; general economic conditions and economic conditions in the aerospace industry and the other industries in which the Company competes; competition from the Company's competitors; the adequacy of the Company's revolving credit facility and other sources of capital; and other factors discussed in the Company's annual report on Form 10-K for the fiscal year ended December 29, 2007. The Company disclaims any intention or obligation to update or revise

any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure and procedures

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 27, 2008 and, based on this evaluation, concluded that the Company's disclosure controls and procedures are functioning in an effective manner in that they provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Changes in internal control over financial reporting

No changes in the Company's internal control over financial reporting occurred during the three months ended September 27, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS

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

* Incorporated by reference

SIGNATURES

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

EDAC TECHNOLOGIES CORPORATION

October 30, 2008

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

EXHIBIT INDEX

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

* Filed herewith.