ROPER MARTIN F
Form 4
September 18, 2008

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
ROPER MARTIN F
(Last) (First) (Middle)
C/O THE BOSTON BEER COMPANY, INC., ONE DESIGN CENTER PLACE, SUITE 850
(Street)
BOSTON, MA 02210
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
BOSTON BEER CO INC [SAM]

3. Date of Earliest Transaction (Month/Day/Year)
09/18/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President and C.E.O.

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common	09/18/2008		M		5,000	A	$ 14	17,457	D	
Class A Common	09/18/2008		S		5,000	D	$ 46.1526 (1) (2) (3)	15,457	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	$ 14	09/18/2008		M			5,000	09/15/1996	09/15/2009	Class A Common	168,663

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
ROPER MARTIN F C/O THE BOSTON BEER COMPANY, INC. ONE DESIGN CENTER PLACE, SUITE 850 BOSTON, MA 02210	X		President and C.E.O.	

Signatures

Kathleen H. Wade under POA for the benefit of Martin F. Roper	09/18/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The price shown is the weighted average sale price for the transactions reported on this line. The range of sale prices is from $45.00 to $ 45.97.

(2) The price shown is the weighted average sale price for the transactions reported on this line. The range of sale prices is from $45.98 to $ 46.88.

(3) The filer will provide, upon request from the staff of the Securities and Exchange Commission, the Registrant or a shareholder of the Registrant, full information regarding the number of shares sold at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. we indemnify each of our directors and officers against liabilities imposed upon them (including reasonable amounts paid in settlement) and expenses incurred by them in connection with any claim made against them or any action, suit or proceeding to which they may be a party by reason of their being or having been a director or officer. We maintain officer s and director s liability insurance coverage. There can be no assurance that such insurance will be available in the future, or that if available, it will be available on terms that are acceptable to us.

Furthermore, there can be no assurance that the insurance coverage provided will be sufficient to cover the amount of any judgment awarded against an officer or director (either individually or in the aggregate). Consequently, if such judgment exceeds the coverage under the policy, we may be forced to pay such difference.

We enter into indemnification agreements with each of our executive officers and directors containing provisions that may require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as officers or directors (other than liabilities arising from willful misconduct of a culpable nature) and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified. Management believes that such indemnification provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

*We do not expect to pay dividends for the foreseeable future***.** For the foreseeable future, we intend to retain any earnings to finance our business requirements, and we do not anticipate paying any cash dividends on our common stock or Class B stock. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, business prospects, and other factors that the Board of Directors considers relevant.

Competition could reduce revenue from our products and services and cause us to lose market share.

We currently face strong competition in product performance, price and service. Some of our national competitors have greater financial, product development and marketing resources than we have. If competition in our industry intensifies or if our current competitors enhance their products or lower their prices for competing products, we may lose sales or be required to lower the prices we charge for our products. This may reduce revenue from our products and services lower our gross margins or cause us to lose market share.

Table of Contents

Our quarterly operating results are likely to fluctuate, which may decrease our stock price.

Our quarterly revenues, expenses and operating results have varied significantly in the past and are likely to vary significantly from quarter to quarter in the future. As a result, our operating results may fall below the expectations of securities analysts and investors in some quarters, which could result in a decrease in the market price of our common stock. The reasons our quarterly results may fluctuate include:

- general competitive and economic conditions;
- delays in, or uneven timing in, the delivery of customer orders;
- the seasonal nature of our industry;
- the introduction of new products by us or our competitors;
- product supply shortages; and
- reduced demand due to adverse weather conditions.

Period-to-period comparisons of such items should not be relied on as indications of future performance.

Our stock has been, and likely will continue to be, subject to substantial price and volume fluctuations due to a number of factors, many of which will be beyond our control.

In recent years, the stock market in general and the market for our common stock have experienced extreme price fluctuations. The market price of our common stock may be significantly affected by various factors such as:

- quarterly variations in our operating results;
- changes in our revenue growth rates as a whole or for specific geographic areas or products;
- changes in earning estimates by market analysts;
- the announcements of new products or product enhancements by us or our competitors;
- speculation in the press or analyst community; and
- general market conditions or market conditions specific to particular industries.

The market price of our common stock may experience significant fluctuations in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 2. PROPERTIES

The following table lists the properties owned or leased by the Company as of September 30, 2008:

Location	Owned Acreage	Building Square Footage	Principal Function
Billingshurst, West Sussex England	1.2	5,000	Offices
Marquette, Iowa (1)	72.0	137,000	Offices and manufacturing
Orlando, Florida (1)	27.0	171,000	Corporate offices and manufacturing

(1) These properties are owned and pledged as security under the Company s credit agreement with PNC Bank.

See Note 3 to our consolidated financial statements in Item 8 below for more information about our properties.

ITEM 3. LEGAL PROCEEDINGS

The Company has various litigation and claims pending as of the date of this Form 10-K which have occurred in the ordinary course of business, and which may be covered in whole or in part by insurance. Management has reviewed all litigation matters arising in the ordinary course of business and, upon advice of counsel, has made provisions, not deemed material, for any estimable losses and expenses of litigation.

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

There were no matters submitted during the fourth quarter of this fiscal year to a vote of security holders.

14

Table of Contents

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company s stock has been traded on the NASDAQ Global Market under the symbol GENC since December 20, 2007. Previously the stock was traded over the counter on the Pink Sheets and the OTC Electronic Bulletin Board under the symbol GNCI.OB .

Following are the high and low closing prices for our common stock for the periods indicated:

2008	**HIGH**	**LOW**
First Quarter	$ 10.50	$ 8.50
Second Quarter	$ 20.97	$ 9.46
Third Quarter	$ 32.88	$ 10.38
Fourth Quarter	$ 15.80	$ 7.83
2007	**HIGH**	**LOW**
First Quarter	$ 12.85	$ 9.20
Second Quarter	$ 12.25	$ 9.00
Third Quarter	$ 11.00	$ 9.00
Fourth Quarter	$ 10.25	$ 9.00

As of October 14, 2008, there were 309 holders of Common Stock of record and six holders of Class B Stock of record.

Dividend Policy

The Company has not paid any dividends during the last two fiscal years and there is no intention to pay cash dividends in the foreseeable future.

Table of Contents

EQUITY COMPENSATION PLAN

In the following table is information about our common stock that may be issued upon exercise of options, warrants and rights under all of our existing equity compensation plans and arrangements as of September 30, 2008, including the 1997 Stock Option Plan.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in second column)
Equity compensation plans approved by security holders	27,500	$ 9.32	0
Equity compensation plans not approved by security holders	0	0	0
Total	27,500	$ 9.32	0

The following graph sets forth the cumulative total stockholder return (assuming reinvestment of dividends) to the Company s stockholders during the five-year period ended September 30, 2008, as well as the Wilshire Small Capitalization Index and the Dow Jones Heavy Construction Index. The stock performance assumes $100 was invested on October 1, 2003.

Table of Contents

Comparison of Cumulative Total Return Among Gencor Industries, Inc., the

Wilshire Small Capitalization Index and the Dow Jones Heavy Construction Index

With Base Year of 2003:	**9/30/2003**	**9/30/2004**	**9/30/2005**	**9/30/2006**	**9/30/2007**	**9/30/2008**
Gencor Industries, Inc.	100.00	530.30	493.94	560.61	600.00	489.70
DJ Heavy Construction Index	100.00	153.16	243.91	289.83	584.36	373.36
Wilshire Small Cap Index	100.00	160.48	192.20	196.94	208.66	165.61

On December 20, 2007, the Company s stock was available for trading on the NASDAQ Global Market under the symbol GENC .

Subsequent to June 1, 2000, the Company s stock has traded on the pink sheets under the stock symbol GRCX until 2003 when the stock symbol was changed to GNCI . In January 2005, the Company s stock commenced reporting on the OTC Electronic Bulletin Board under the symbol GNCI.OB .

17

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

	Years Ended September 30				
	2008	2007	2006	2005	2004
	(in thousands, except per share data)				
Net revenue	$ 88,343	$ 75,286	$ 67,107	$ 48,140	$ 54,070
Operating income (loss)	$ 6,848	$ 6,333	$ 1,359	$ (1,258)	$ 4,171
Net Income	$ 15,247	$ 18,495	$ 11,587	$ 31,307	$ 2,604
Per share data:					
Basic:					
Net Income	$ 1.59	$ 1.91	$ 1.17	$ 3.50	$ 0.30
Diluted:					
Net Income	$ 1.59	$ 1.91	$ 1.17	$ 3.29	$ 0.27
Cash dividends declared per common share	$	$	$	$	$

Selected balance sheet data:

	September 30,				
	2008	2007	2006	2005	2004
Current assets	$ 101,622	$ 96,392	$ 67,634	$ 63,745	$ 22,195
Current liabilities	$ 11,333	$ 14,048	$ 11,888	$ 10,361	$ 18,437
Total assets	$ 110,623	$ 104,227	$ 80,974	$ 78,010	$ 42,812
Long-term debt, less current maturities	$	$	$	$	$ 5,701
Shareholders equity	$ 99,015	$ 83,781	$ 63,043	$ 51,435	$ 15,294

18

Table of Contents

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Information

This Form 10-K contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which represent our expectations and beliefs, including, but not limited to, statements concerning gross margins, sales of our products and future financing plans, income from investees and litigation. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control. Actual results may differ materially depending on a variety of important factors, including the financial condition of our customers, changes in the economic and competitive environments, whether or not we receive income from our investees, the performance of our investment portfolio and the demand for our products.

For information concerning these factors and related matters, see Risk Factors in Part I, Item 1A in this Report. However, other factors besides those referenced could adversely affect our results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us herein speak as of the date of this Report. We do not undertake to update any forward-looking statement, except as required by law.

Results of Operations

Year ended September 30, 2008 compared with the year ended September 30, 2007

Net sales for the years ended September 30, 2008 and 2007 were $88.3 million and $75.3 million, respectively, this represents a $13 million increase (17%) over the previous year. Domestic sales during this period for 2008 and 2007 were $85.6 million and $72.4 million, respectively. Domestic sales were higher than the prior year due to the general improvement in the road-building industry. Infrastructure spending remained strong through fiscal 2008. We cannot predict what impact the recession and credit tightening in the last half of calendar 2008 will have on future revenues. Foreign sales decreased by $.1 million. Backlog was $16 million at September 30, 2008, compared to a backlog of $24.5 million at September 30, 2007.

Gross margin for fiscal 2008 was $1.3 million higher than fiscal 2007 and as a percent of net sales was 23.9% in 2008 and 26.4% of sales for 2007. The margin for the year was adversely impacted by higher raw material costs, primarily significant increase in steel prices, and high energy costs. Domestic margins were negatively affected by $.6 million and $.7 million, respectively for 2008 and 2007 due to an increase in the LIFO reserve.

Product engineering and development costs increased $.2 million due to hiring of additional engineers. Selling and administrative expenses increased $.5 million during 2008 due to higher commissions and payroll costs resulting from the higher sales volume, partially offset by lower legal costs.

Operating income was $6.8 million in 2008 compared to $6.3 million in 2007. Operating income increased as a result of increased domestic business and reduced administrative expenses.

Miscellaneous Income in 2008 includes $3.4 million from a favorable legal settlement from a former service provider.

The decrease in value of marketable securities was a loss of $1.8 million compared to a gain of $5.8 million last year. Total cash and investment balance at September 30, 2008 is $58 million compared to September 30, 2007 cash and investment balance of $55 million.

We recognized income from investees of $15.6 million in 2008 and $19.9 million of income from investees in 2007. The operations of Carbontronics LLC consist of the receipt of contingent payments from the sales from the plants and the distribution thereof to its members. Carbontronics LLC has no other significant operations or assets. The operations of Carbontronics II, LLC consist of the receipt of royalty payments from the plants and the distribution thereof to its members. Carbontronics II, LLC has no other significant operations or assets. Any

Table of Contents

income arising from these investments is dependent upon tax credits (adjusted for operating losses at the fuel plants) being generated as a result of synthetic fuel production, which are recorded as received. These distributions are subject to state and Federal income taxes. Distributions from these entities depend upon the production of these operations qualifying for tax credits under Section 29 of the Internal Revenue Code and the ability to economically produce and market synthetic fuel produced by the plants.

The existing tax credit legislation expired at the end of calendar year 2007. Consequently, the four synthetic fuel plants were decommissioned. The plants were sold or transferred to site owners in exchange for a release of all contracted liabilities related to the removal of plants from the sites. The administrative partner has informed us that there will be no operations in calendar 2008 and almost all of the partnership affairs will be finalized in 2008. It is not possible to predict the amount, if any, of final distributions from the partnerships upon the final disposition and winding-up of operations.

Income taxes were 37% of pre-tax income for 2008 and 39.5% for 2007. The effective tax rate is higher than the Federal rate of 35% due to state income taxes and losses for foreign operations for which no tax benefit has been recognized.

Year ended September 30, 2007 compared with the year ended September 30, 2006

Net sales for the years ended September 30, 2007 and 2006 were $75.3 million and $67.1 million, respectively. Domestic sales during this period for 2007 and 2006 were $72.4 million and $63.1 million, respectively. Domestic sales were higher than the prior year due to the general improvement in the road-building industry, partially due to the passage of the Federal highway bill in the summer of 2005. Foreign sales decreased by $1.1 million due to one large order in 2006. Backlog was $24.5 million at September 30, 2007, compared to a backlog of only $5 million at September 30, 2006.

Gross margin for fiscal 2007 was $3.1 million higher than fiscal 2006 and as a percent of net sales was 26.4% in 2007 and 25.0% of sales for 2006. The increased volume in our manufacturing plants improved overhead absorption and improved margins. Domestic margins were negatively affected by $.7 million in 2007 and 2006 due to an increase in the LIFO reserve.

Product engineering and development costs increased $.5 million due to hiring of additional engineers. Selling and administrative expenses decreased $2.4 million during 2007 due to lower legal costs offset by $.7 million due to higher commissions and payroll costs resulting from the higher sales volume.

Operating income was $6.3 million in 2007 compared to $1.4 million in 2006. Operating income increased as a result of increased domestic business, higher gross margins in 2007, and reduced selling and administrative expenses.

During fiscal 2007, we sold land and buildings for $5.4 million resulting in a loss of $1.6 million after an adjustment of $1.9 million for the cumulative translation adjustment related to the assets sold.

The increase in value of marketable securities is a result of additional net cash invested in marketable securities ($10 million) and the increase in the market value ($5.8 million) of the securities held in the portfolio.

We recognized income from investees of $19.9 million in 2007 and $14.5 million of income from investees in 2006. The operations of Carbontronics LLC consist of the receipt of contingent payments from the sales of the plants and the distribution thereof to its members. Carbontronics LLC has no other significant operations or assets. The operations of Carbontronics II, LLC consist of the receipt of royalty payments from the plants and the distribution thereof to its members. Carbontronics II, LLC has no other significant operations or assets. Any income arising from these investments is dependent upon tax credits (adjusted for operating losses at the fuel plants) being generated as a result of synthetic fuel production, which will be recorded as received. These distributions are subject to state and Federal income taxes. Future distributions from these entities depend upon the production of these operations continuing to qualify for tax credits under Section 29 of the Internal Revenue Code and the ability to economically produce and market synthetic fuel produced by the plants. One of the contingencies related to future benefits from these entities is based on the average price of crude oil. Per a provision of Section 29, if the average price of crude oil reaches a certain level, the tax credits terminate.

Table of Contents

The existing tax credit legislation is expiring at the end of calendar year 2007. Consequently, the four synthetic fuel plants are being decommissioned. The plants are in process of being sold or transferred to site owners in exchange for a release of all contracted liabilities related to the removal of plants from the sites. The administrative partner has informed the Company that there will be no operations in calendar 2008 and almost all of the partnership affairs will be finalized in early 2008. It is not possible to predict the amount, if any, of final distributions from the partnerships upon the final disposition and winding-up of operations.

Income taxes were 39.5% of pre-tax income for 2007 and 37% for 2006. The effective tax rate is higher than the Federal rate of 35% due to state income taxes and losses for foreign operations for which no tax benefit has been recognized.

Liquidity and Capital Resources

We generate our capital resources primarily through operations.

We entered into a Revolving Credit and Security Agreement with PNC Bank, N.A. The Agreement established a three year revolving $20 million credit facility and was renewed through July 31, 2009. The facility provides for advances based on accounts receivable, inventory and real estate. The facility includes a $2 million limit on letters of credit. At September 30, 2008, we had $.8 million of letters of credit outstanding. The interest rate at September 30, 2008, is at LIBOR plus 2.00% and subject to change based upon the Fixed Charge Coverage Ratio. We are required to maintain a Fixed Charge Coverage Ratio of 1.1:1. There are no required repayments as long as there are no defaults and there is adequate eligible collateral. Substantially all of our assets are pledged as security under the Agreement. We had no long term debt outstanding at September 30, 2008 or 2007.

As of September 30, 2008, we had $4 million in cash and cash equivalents, and $54 million in marketable securities. The marketable securities are invested in stocks and bonds through a professional investment advisor. The securities may be liquidated at any time into cash and cash equivalents.

Inventories have remained at $35 million at September 30, 2008, and September 30, 2007, as we have built inventory to meet the demands for plant deliveries in December 2008 and early calendar 2009.

Critical Accounting Policies, Estimates and Assumptions

We believe the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require management s most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Accounting policies, in addition to the critical accounting policies referenced below, are presented in Note 1 to our consolidated financial statements, Accounting Policies.

Estimates and Assumptions

In preparing the consolidated financial statements, we use certain estimates and assumptions that may affect reported amounts and disclosures. Estimates and assumptions are used, among other places, when accounting for certain revenue (e.g. contract accounting), expense, and asset and liability valuations. We believe that the estimates and assumptions made in preparing the consolidated financial statements are reasonable, but are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate and unanticipated events may occur. We are subject to risks and uncertainties that may cause actual results to differ from estimated results.

Table of Contents

Revenues

Revenues from contracts for the design and manufacture of certain custom equipment are recognized under the percentage-of-completion method. Revenues from all other sales are recorded as the products are shipped or service is performed.

The percentage-of-completion method of accounting for long term contracts recognizes revenue in proportion to actual labor costs incurred as compared with total estimated labor costs expected to be incurred during the entire contract. All selling, general and administrative expenses are charged to operations as incurred. Provision is made for any anticipated contract losses in the period that the loss becomes evident.

Investment in Unconsolidated Investees

As of September 30, 2008, 2007, and 2006, we own a 45% interest in Carbontronics LLC and a 25% interest in Carbontronics Fuels LLC and Carbontronics II LLC. These interests were obtained as part of contracts to build four synthetic fuel production plants during 1998. We have no basis in these equity investments or requirement to provide future funding. Any income arising from these investments is dependent upon tax credits (adjusted for operating losses at the fuel plants) being generated as a result of synthetic fuel production, which will be recorded as received.

The existing tax credit legislation expired at the end of calendar year 2007. Consequently, the four synthetic fuel plants were decommissioned. They were sold or transferred to site owners in exchange for a release of all contracted liabilities related to the removal of plants from the sites. The administrative partner has informed the Company that there will be no operations in calendar 2008 and almost all of the partnership affairs will be finalized in 2008. It is not possible to predict the amount, if any, of final distributions from the partnerships upon the final disposition and winding-up of operations.

Inflation

The overall effects of inflation on our business during the periods discussed have not been significant. We monitor the prices we charge for our products and services on an ongoing basis and believe that we will be able to adjust those prices to take into account future changes in the rate of inflation.

Contractual Obligations

The following table summarizes our outstanding borrowings and long-term contractual obligations at September 30, 2008:

	Total	Less than 1 Year	1-3 Years	3 - 5 Years	More than 5 Years
Long-term debt	$	$	$	$	$
Operating leases	$ 322	$ 111	$ 203	$ 8	$
Total	$ 322	$ 111	$ 203	$ 8	$

The long-term debt facility matures in 2009. We also have $.8 million of letters of credit outstanding. The letters of credit are for one year and have been renewed annually.

Off-Balance Sheet Arrangements

None

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company operates manufacturing facilities and sales offices principally located in the United States and the United Kingdom. The Company is subject to business risks inherent in non-U.S. activities, including political and economic uncertainty, import and export limitations, and market risk related to changes in interest rates and foreign currency exchange rates. The Company s principal currency exposure against the U.S. dollar is the British pound. Periodically, the Company will use derivative financial instruments consisting primarily of interest rate hedge agreements to manage exposures to interest rate changes. The Company s objective in managing its exposure to changes in interest rates on its variable rate debt is to limit their impact on earnings and cash flow and reduce its overall borrowing costs.

At September 30, 2008 and 2007 the Company had no debt outstanding. Under the Revolving Credit and Security Agreement, substantially all of the Company s borrowings will bear interest at variable rates based upon the prime rate or LIBOR.

The Company s marketable securities are invested in stocks and municipal bonds through a professional investment advisor. Investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of securities, it is possible that changes in these risk factors could have an adverse material impact on the Company s results of operations or equity.

The Company s sensitivity analysis for interest rate risk excludes accounts receivable, accounts payable and accrued liabilities because of the short-term maturity of such instruments. The analysis does not consider the effect on other variables such as changes in sales volumes or management s actions with respect to levels of capital expenditures, future acquisitions or planned divestures, all of which could be significantly influenced by changes in interest rates.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

GENCOR INDUSTRIES, INC.

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Table of Contents

GENCOR INDUSTRIES, INC.

MANAGEMENT ASSESSMENT REPORT

The management of Gencor Industries, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company s internal control system is designed to provide reasonable assurance to the Company s management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There are inherent limitations in the effectiveness of all internal control systems no matter how well designed. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the preparation and presentation of financial statements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in circumstances or conditions.

In order to ensure that the Company s internal control over financial reporting is effective, management regularly assesses such controls and did so most recently as of September 30, 2008. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes the Company s maintained effective internal control over financial reporting as of September 30, 2008. Moore Stephen Lovelace, P. A., the Company s independent registered public accounting firm, has issued an attestation report on the Company s internal control over financial reporting as of September 30, 2008.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Gencor Industries, Inc.

We have audited the accompanying consolidated balance sheets of Gencor Industries, Inc. and subsidiaries as of September 30, 2008, and 2007, and the related consolidated statements of income, stockholders equity and comprehensive income, and cash flows for each of the years in the three-year period ended September 30, 2008. Our audit also included the financial statement schedule listed in the accompanying index. We also have audited Gencor s internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Gencor s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying financial report. Our responsibility is to express an opinion on these financial statements and an opinion on the company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gencor Industries, Inc. as of September 30, 2008, and 2007, and the consolidated results of its operations, changes in shareholders equity and its cash flows for each of the years in the three-year period ended September 30, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all materials respects the information set forth therein. Also in our opinion, Gencor Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Orlando, Florida

December 11, 2008

Table of Contents

Part I. Financial Information

GENCOR INDUSTRIES, INC.

Consolidated Balance Sheets

(In thousands, except per share data)

	September 30 2008	September 30 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,068	$ 3,707
Marketable securities at market value (Cost $46,000 at September 30, 2008 and $42,000 at September 30, 2007)	53,976	51,780
Account receivable, less allowance for doubtful accounts of $1,927 ($1,685 at September 30, 2007)	7,527	4,570
Inventories, net	35,044	34,694
Prepaid expenses	1,007	1,641
Total current assets	101,622	96,392
Property and equipment, net	8,817	7,660
Other assets	184	175
Total assets	$ 110,623	$ 104,227
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Account payable	$ 4,442	$ 4,132
Customer deposits	1,712	1,414
Income and other taxes payable	1,678	2,164
Accrued expenses	3,501	6,338
Total current liabilities	11,333	14,048
Long-term debt		
Deferred income taxes	275	6,398
Total liabilities	11,608	20,446
Commitments and contingencies		
Shareholder s equity:		
Preferred stock, par value $.10 share; authorized 300,000 shares; none issued		
Common stock, par value $.10 per share; 15,000,000 shares authorized; 8,079,872 shares and 7,967,372 shares issued at September 30, 2008 and 2007, respectively	808	797
Class B Stock, par value $.10 per share; 6,000,000 shares authorized; 1,532,998 shares and 1,642,998 shares issued at September 30, 2008 and 2007	153	164
Unearned compensation		(135)
Capital in excess of par value	10,542	10,520
Retained earnings	87,383	72,136
Accumulated other comprehensive income (loss)	129	299
Total shareholder s equity	99,015	83,781
Total Liabiliities and Shareholders Equity	$ 110,623	$ 104,227

See accompanying notes to consolidated financial statements

27

Table of Contents

GENCOR INDUSTRIES, INC.

Consolidated Statements of Income

(In thousands, except per share data)

	For the Years Ended September 30,		
	2008	**2007**	**2006**
Net revenue	$ 88,343	$ 75,286	$ 67,107
Cost and expense:			
Production costs	67,187	55,436	50,348
Product engineering and development	2,794	2,567	2,075
Selling, general and administrative	11,514	10,950	13,325
	81,495	68,953	65,748
Operating income	6,848	6,333	1,359
Other income (expense):			
Interest income	154	159	160
Interest expense	(37)	(48)	(85)
Income from investees	15,624	19,937	14,547
Loss on sale of assets		(1,633)	
Increase (decrease) in value of marketable securities	(1,804)	5,831	2,162
Miscellaneous	3,421	6	237
	17,358	24,252	17,021
Income before income taxes	24,206	30,585	18,380
Income taxes	8,959	12,090	6,793
Net income	$ 15,247	$ 18,495	$ 11,587
Basic earnings per common share:			
Net income	$ 1.59	$ 1.91	$ 1.17
Diluted earnings per common share:			
Net income	$ 1.59	$ 1.91	$ 1.17

See accompanying notes to consolidated financial statements.

28

Table of Contents

GENCOR INDUSTRIES, INC.

Consolidated Statements of Shareholders Equity

(In thousands)

For the Years Ended September 30, 2008, 2007 and 2006

	Common Stock		Class B Stock		Unearned	Capital in Excess of	Retained Earnings (Accumulated	Comprehensive Income	Accumulated Other Comprehensive Income	Subscription Receivable From	Treasury Stock		Total Shareholders
	Shares	Amount	Shares	Amount	Compensation	Par Value	Deficit)	(Loss)	(Loss)	Officer	Shares	Cost	Equity
September 30, 2005	8,340	$ 834	1,735	$ 174	$	$ 11,659	$ 42,054		$ (1,582)	$	179	$ (1,704)	$ 51,435
Net income							11,587	$ 11,587					11,587
Stock options granted					(270)	270							
Stock options exercised	49	5				29		$					34
Retirement of treasury stock	(87)	(9)	(92)	(10)		(1,685)					(179)	1,704	
Translation adj.								(13)	(13)				(13)
Comprehensive income								$ 11,574					
September 30, 2006	8,302	$ 830	1,643	$ 164	$ (270)	$ 10,273	$ 53,641		$ (1,595)	$	$	$	$ 63,043
Net income							18,495	$ 18,495					18,495
Amortization					135								135
Stock retired	(335)	(33)				247		$					214
Disposal of foreign assets									1,905				1,905
Translation adj.								(11)	(11)				(11)
Comprehensive income								$ 18,484					
September 30, 2007	7,967	$ 797	1,643	$ 164	$ (135)	$ 10,520	$ 72,136		$ 299	$	$	$	$ 83,781
Net income							15,247	$ 15,247					15,247
Stock options exercised	3					22							22
Amortization					135								135
Conversion of Class B stock	110	11	(110)	(11)									
Translation adj.								(170)	(170)				(170)
Comprehensive income								$ 15,077					
September 30, 2008	8,080	$ 808	1,533	$ 153	$	$ 10,542	$ 87,383		$ 129	$	$	$	$ 99,015

See accompanying notes to consolidated financial statements.

Table of Contents

GENCOR INDUSTRIES, INC.

Consolidated Statements of Cash Flows

In Thousands

	For the Years Ended September 30, 2008	2007	2006
Cash flows from operations:			
Net income	$ 15,247	$ 18,495	$ 11,587
Adjustments to reconcile net income to cash provided (used) by operations:			
Increase in Marketable securities	(4,000)	(10,000)	(1,000)
Decrease (Increase) in market value of marketable securities	1,804	(5,831)	(2,162)
Deferred income taxes	(6,123)	2,714	(8,837)
Depreciation and amortization	948	932	1,358
Income from investees	(15,624)	(19,937)	(14,547)
Provision for doubtful accounts	410	360	470
Loss on sale of assets		1,633	
Change in assets and liabilities:			
Accounts receivable	(3,367)	520	(2,259)
Unearned compensation	135	135	
Inventories	(350)	(11,734)	(3,724)
Prepaid expenses	634	(63)	356
Account payable	310	(1,490)	1,131
Customer deposits	298	577	(1,265)
Income and other taxes payable	(486)	(208)	457
Accrued expenses	(2,855)	1,509	1,184
Total adjustments	(28,266)	(40,883)	(28,838)
Cash provided by (used for) operations	(13,019)	(22,388)	(17,251)
Cash flows from (used for) investing activities:			
Distributions from unconsolidated investees	15,624	19,937	14,547
Capital expenditures	(2,096)	(637)	(413)
Proceeds from assets held for sale		5,481	
Cash from (used for) investing activities	13,528	24,781	14,134
Cash flows used for financing activities:			
Stock transactions	22	214	34
Net repayment of debt			
Net borrowings			
Cash provided (used) for financing activities	22	214	34
Effect of exchange rate changes on cash	(170)	(10)	(13)
Net increase (decrease) in cash	361	2,597	(3,096)
Cash and cash equivalents at:			
Beginning of period	3,707	1,110	4,206
End of period	$ 4,068	$ 3,707	$ 1,110

See accompanying notes to consolidated financial statements.

30

Table of Contents

GENCOR INDUSTRIES, INC

Notes to Consolidated Financial Statements

All amounts in thousands, except per share amounts

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gencor Industries, Inc. and its subsidiaries (collectively the Company) is a diversified heavy machinery manufacturer for the production of highway construction materials, synthetic fuels and environmental control machinery and equipment.

These consolidated financial statements include the accounts of the Gencor Industries, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Income Per Share

The financial statements include basic and diluted per share information. Basic earnings per share are based on the weighted average number of shares outstanding. Diluted earnings per share are based on the sum of the weighted average number of shares outstanding plus common share equivalents.

The following presents the calculation of the basic and diluted income per share from for the years ended September 30, 2008, 2007 and 2006:

	2008			2007			2006		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS	$ 15,247	9,611	$ 1.59	$ 18,495	9,708	$ 1.91	$ 11,587	9,919	$ 1.17
Diluted EPS	$ 15,247	9,618	$ 1.59	$ 18,495	9,710	$ 1.91	$ 11,587	9,936	$ 1.17

Cash Equivalents

Cash equivalents, may consist of short-term certificates of deposit and deposits in money market accounts with original maturities of three months or less.

Marketable Securities

Marketable securities are categorized as trading securities and stated at market value. Market value is determined using the quoted closing or latest bid prices. Realized gains and losses on investment transactions are determined by specific identification and are recognized as incurred in the statement of income. Net unrealized gains and losses are reported in the statement of income and represent the change in

Table of Contents

the market value of investment holdings during the period. At September 30, 2008, Marketable securities consisted of $44,764 in municipal bonds and $9,212 in equity stocks. At September 30, 2007 Marketable securities consist of $33,483 in municipal bonds and $18,297 in equity stocks.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short-term nature of these items. The carrying amount of substantially all of the Company s long-term debt approximates fair value due to the variable nature of the interest rates on the debt.

Foreign Currency Translation

Assets and liabilities of the Company s foreign subsidiaries are translated into U.S. dollars at the applicable rate of exchange in effect at the end of the fiscal year. Revenue and expense accounts are translated at the average rate of exchange during the period and equity accounts are translated at the rate in effect when the transactions giving rise to the balances took place. Gains and losses resulting from translation are included in Accumulated Other Comprehensive Income (Loss). Gains and losses resulting from foreign currency transactions are included in income.

Risk Management

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, and accounts receivable. The Company maintains its cash accounts in various domestic and foreign financial institutions. Domestic funds are swept daily into interest-bearing overnight repurchase agreements invested in U.S. government securities. The marketable securities are invested in stocks and municipal bonds through a professional investment advisor. Investment securities are exposed to various risks such as interest rate, market and credit. The Company s customers are not concentrated in any specific geographic region, but are concentrated in the road and highway construction industry. The Company extends limited credit to its customers based upon their creditworthiness and generally requires a significant up-front deposit before beginning construction and full payment subject to hold-back provisions, prior to shipment on asphalt plant orders. The Company establishes an allowance for doubtful accounts based upon the credit risk of specific customers, historical trends and other pertinent information.

Inventories

Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out (LIFO) method of determining cost for substantially all inventories in the United States. All other inventories are accounted for using the first-in, first-out (FIFO) method.

Used equipment, acquired by the Company by trade-in from customers acquiring new equipment, is carried at estimated net realizable value.

Table of Contents

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using straight-line and accelerated methods over the estimated useful lives of the related assets as follows:

	Years
Land improvements	5
Buildings and improvements	6-40
Equipment	2-10

Impairments

If the carrying value of an asset, including associated intangibles and goodwill, exceeds the sum of estimated undiscounted future cash flows, an impairment loss is recognized for the difference between estimated fair value and carrying value.

Investment in Unconsolidated Investees

The Company owns a 45% interest in Carbontronics LLC and a 25% interest in Carbontronics Fuels LLC and Carbontronics II, LLC. These interests were earned as part of value of risk on contracts to build four synthetic fuel production plants during 1998. The Company has no basis in these equity investments or requirement to provide future funding. The operations of Carbontronics LLC consist of the receipt of contingent payments from the sales of the plants and the distribution thereof to its members. Carbontronics LLC has no other significant operations or assets. The operations of Carbontronics II, LLC consist of the receipt of royalty payments from the plants and the distribution thereof to its members. Carbontronics II, LLC has no other significant operations or assets. Any income arising from these investments is dependent upon tax credits (adjusted for operating losses at the fuel plants) being generated as a result of synthetic fuel production, which will be recorded as received. The Company received $15,624 during the fiscal year 2008. The Company received $19,937 of distributions in fiscal 2007. The Company recognized income of $14,547 in 2006 for the distribution received; less an accrual of $1,000 for certain expenses associated with efforts by the Company as plaintiff in a matter against its synthetic fuels partners. These distributions are subject to state and Federal income taxes.

The existing tax credit legislation expired at the end of calendar year 2007. Consequently, the four synthetic fuel plants were decommissioned. They were sold or transferred to site owners in exchange for a release of all contracted liabilities related to the removal of plants from the sites. The administrative partner has informed the Company that there will be no operations in calendar 2008 and almost all of the partnership affairs will be finalized in 2008. It is not possible to predict the amount, if any, of final distributions from the partnerships upon the final disposition and winding-up of operations.

Revenues

Revenues from contracts for the design and manufacture of certain custom equipment are recognized under the percentage-of-completion method. Revenues from all other sales are recorded as the products are shipped or service is performed.

Table of Contents

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The percentage-of-completion method of accounting for long term contracts recognizes revenue in proportion to actual labor costs incurred as compared with total estimated labor costs expected to be incurred during the entire contract. All selling, general and administrative expenses are charged to operations as incurred. Provision is made for any anticipated contract losses in the period that the loss becomes evident.

The estimated costs of product warranties are charged to production costs as revenue is recognized.

Shipping and Handling Costs

Shipping and handling costs are included in production costs in the statements of income.

Miscellaneous Income

Miscellaneous Income in 2008 includes $3.4 million favorable legal settlement from a former service provider.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns using current tax rates. The Company and its domestic subsidiaries file a consolidated federal income tax return. The foreign subsidiaries provide income taxes based on the tax regulations of the countries in which they operate. Undistributed earnings of the Company s foreign subsidiaries are intended to be indefinitely reinvested. No deferred taxes have been provided on these earnings.

Deferred tax assets and liabilities are measured using the rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse and the credits are expected to be used. The effect on deferred tax assets and liabilities of the change in tax rates is recognized in income in the period that includes the enactment date. An assessment is made as to whether or not a valuation allowance is required to offset deferred tax assets.

Accounting for Stock-Based Compensation

Prior to fiscal 2006, the Company measured compensation expense for employee and director stock options as the aggregate difference between the market price of the common stock and exercise prices of the options on the date that both the number of shares the grantee is entitled to receive and the purchase price were known. No expense was recorded as the option prices on grant date were at least equal to market price of the common stock.

Effective October 1, 2005, the Company adopted the provisions of Financial Accounting Standards Board Statement No. 123R Share-Based Payment (SFAS No. 123R). The Company now records grant-date fair value of stock-based compensation in the statement of operations. The Company adopted SFAS 123R using the modified prospective method. Accordingly, the Company has not restated any previous operating results.

On September 28, 2006, the Company granted 30,000 options at market price to certain officers and directors of the Company. The fair value is estimated on grant date using the Black-Scholes options pricing model. Volatility was based on historical activity and the term was estimated based on the life of the option and the vesting period. As a result, $270 of unearned compensation was recorded at September 30, 2006 and was charged to operating expense over the vesting period of two years.

Table of Contents

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income (Loss)

Other Comprehensive Income (Loss) consists of net income and includes all other changes in shareholders equity except those resulting from investments by owners and distributions to them. For all years presented, the Company s comprehensive income (loss), which encompasses net income and foreign currency translation adjustments, is separately displayed in the consolidated statement of shareholders equity.

Reporting Segments

Information concerning principal geographic areas is as follows:

	2008		2007		2006	
	Revenues	Long-Term Assets	Revenues	Long-Term Assets	Revenues	Long-Term Assets
United States	$ 85,589	$ 8,685	$ 72,394	$ 7,471	$ 63,150	$ 7,701
United Kingdom	2,754	316	2,892	364	3,957	5,637
Total	$ 88,343	$ 9,001	$ 75,286	$ 7,835	$ 67,107	$ 13,338

Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

NOTE 2 INVENTORIES, NET

Inventories, net at September 30 consist of the following:

	2008	2007
Raw materials	$ 18,943	$ 19,905
Work in process	7,387	6,669
Finished goods	7,594	6,165
Used equipment	1,120	1,955
	$ 35,044	$ 34,694

At September 30, 2008, accumulated costs of approximately $14,908 on major contracts, net of progress payments of approximately $13,238 and estimated earnings of approximately $7,287 amount to approximately $8,957 and are included in inventory. At September 30, 2007, accumulated costs of approximately $8,739 on major contracts, net of progress payments of approximately $6,693 and estimated earnings of approximately $5,015, amount to approximately $7,061 and are included in inventory.

At September 30, 2008 and 2007, cost is determined by the last-in, first-out (LIFO) method for inventories. The estimated current cost of inventories exceeded their LIFO basis by approximately $5,896 and $5,254, respectively.

Table of Contents

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment at September 30 consist of the following:

	2008	2007
Land and improvements	$ 3,070	$ 3,026
Building and improvements	12,633	11,958
Equipment	10,351	8,993
	26,054	23,977
Less: Accumulated depreciation and amortization	(17,237)	(16,317)
	$ 8,817	$ 7,660

Property and equipment includes approximately $8,106 and $7,489 of fully depreciated assets, which remain in service during fiscal 2008 and 2007.

Substantially all of the Company s property and equipment is pledged as collateral for the Company s debt.

Depreciation and amortization expense for the years ended September 30, 2008, 2007 and 2006 was approximately $948, $932, and $1,358, respectively. There was no interest capitalized during these years.

NOTE 4 ACCRUED EXPENSES

Accrued expenses consist of the following at September 30:

	2008	2007
Payroll and related accruals	$ 1,929	$ 2,598
Warranty and related accruals	603	405
Professional fees	70	2,430
Other	899	905
Total	$ 3,501	$ 6,338

Table of Contents

NOTE 5 INCOME TAXES

The provision for income taxes consists of:

	2008	2007	2006
Current:			
Federal	$ 14,028	$ 8,583	$ 15,430
State	1,015	746	1,329
Foreign	38	47	(65)
Total current expense	15,081	9,376	16,694
Deferred	(6,122)	2,714	(9,901)
Provision for income taxes	$ 8,959	$ 12,090	$ 6,793

The difference between the U.S. federal income tax rate and the Company s effective income tax rate is as follows:

	2008	2007	2006
Federal income tax rate	35.0%	35.0%	35.0%
State income taxes	2.0%	2.4%	2.3%
Losses for which no tax benefit has been recognized		2.3%	
Other		-0.2%	-0.3%
	37.0%	39.5%	37.0%

Accumulated deficits of non-U.S. subsidiaries included in consolidated retained earnings (deficit) amounted to ($479) and ($382) as of September 30, 2008, and 2007, respectively. The Company follows the policy of indefinitely reinvesting foreign earnings, if any, to expand its international operations. Accordingly, the Company will not provide U.S. income taxes on any future earnings. In the event any earnings of non-U.S. subsidiaries are repatriated, the Company will provide U.S. income taxes upon repatriation of such earnings which will be offset by applicable foreign tax credits, subject to certain limitations.

Total income taxes paid were $15,452, $5,436, and $15,725 in 2008, 2007, and 2006, respectively.

NOTE 6 RETIREMENT BENEFITS

401(k) Plan

The Company has a voluntary 401(k) employee benefit plan which covers all eligible domestic employees. The Company makes discretionary matching contributions subject to a maximum level, in accordance with the terms of the plan. The Company charged approximately $151, $114, and $104 to operating expense under the provisions of the plan during the fiscal years 2008, 2007 and 2006, respectively.

37

Table of Contents

NOTE 7 LONG-TERM DEBT

The Company had no long term debt outstanding at September 30, 2008 or 2007.

The Company entered into a Revolving Credit and Security Agreement with PNC Bank, N.A. The Agreement established a three year revolving $20 million credit facility and was renewed through July 31, 2009. The facility provides for advances based on accounts receivable, inventory and real estate. The facility includes a $2 million limit on letters of credit. At September 30, 2008, the Company had $.8 million of letters of credit outstanding. The interest rate at September 30, 2008, is at LIBOR plus 2.00% and subject to change based upon the Fixed Charge Coverage Ratio. The Company is required to maintain a Fixed Charge Coverage Ratio of 1.1:1. There are no required repayments as long as there are no defaults and there is adequate eligible collateral. Substantially, all of Company s assets are pledged as security under the Agreement.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain equipment under non-cancelable operating leases. Future minimum rental commitments under these leases at September 30, 2008 consist of $322 due over the next five years.

Total rental expense for the fiscal years ended 2008, 2007 and 2006 was $175, $193 and $150, respectively.

Litigation

The Company has various pending litigation and other claims. Those claims which are made in the ordinary course of business may be covered in whole or in part by insurance, and if found against the Company, management does not believe these matters will have a material effect on the Company s financial position, results of operations or cash flows.

NOTE 9 SHAREHOLDERS EQUITY

Under the Company s amended Certificate of Incorporation, certain rights of the holders of the Company s Common Stock are modified by shares of Class B Stock for as long as such shares shall remain outstanding. During that period, holders of Common Stock will have the right to elect approximately 25% of the Company s Board of Directors, and conversely, Class B Stock will be entitled to elect approximately 75% of the Company s Board of Directors. During the period when Common Stock and Class B Stock are outstanding, certain matters submitted to a vote of shareholders will also require approval of the holders of Common Stock and Class B Stock, each voting separately as a class. Common stock and Class B shareholders have equal rights with respect to dividends, preferences, and rights, including rights in liquidation.

Table of Contents

NOTE 10 STOCK OPTIONS

The Company maintains stock option plans, which provide for the issuance of nonqualified or incentive stock options to certain directors, officers and key employees.

The 1997 Stock Option Plan (the 1997 Plan) provided for the issuance of incentive stock options and nonqualified stock options to purchase up to 1,200,000 shares of the Company s Common Stock, 1,200,000 shares of the Company s Class B Stock and up to fifteen percent (15%) of the authorized Common Stock of any subsidiary.

Under the terms of the Plans, option holders may tender previously owned shares with a market value equal to the exercise price of the options at exercise date, subject to Compensation Committee approval. Additionally, option holders may, upon Compensation Committee approval, surrender shares of stock to satisfy federal withholding tax requirements.

Options become exercisable in a manner and on such dates and times as determined by a committee of the Board of Directors. Options expire not more than ten years from the date of grant. The option holders have no shareholder rights until the date of issuance of a stock certificate for such shares. Exercise of the options granted during 2002 and 2001 are limited to 20% per year over the next 5 years.

During 2006, 30,000 options were granted to certain officers and Directors of the Company at the market value, ($9.32) at the date of grant. These options vest over two years and are exercisable through 2016. The fair value of these options is estimated on grant date using the Black-Scholes options pricing model. As a result, $270 of unearned compensation was recorded at September 30, 2006 and was charged to operating expense over the vesting period of two years. As of September 30, 2008, there are no options available for future grants under the plans.

The following table summarizes option activity under the plans:

	Number of Shares	Option Price Per Share
Outstanding at September 30, 2005	54,000	1.36
Exercised at price of $.87 -$1.65 per share	(54,000)	1.36
Granted at price of $9.32 per share	30,000	9.32
Outstanding at September 30, 2007 and 2006	30,000	9.32
Exercised at price of $9.32 per share	2,500	9.32
Outstanding at September 30, 2008	27,500	$ 9.32

Table of Contents

The following table summarizes information about stock options outstanding at September 30, 2008:

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life
$9.32	27,500	8

At September 30, 2008, 27,500 share were exercisable.

NOTE 11 RELATED PARTY TRANSACTIONS

Marcar Leasing Corporation (Marcar) is engaged in leasing machinery and vehicles to the public and the Company. Marcar is owned by family members of the Company s Chairman. The terms of the leases are established based on the rates charged by independent leasing organizations and are believed to be more favorable than those generally available from independent third parties. Leases between the Company and Marcar generally provide for equal monthly payments over either thirty-six months or forty-eight months. During fiscal 2008, 2007 and 2006, the Company made lease payments to Marcar totaling $150, $124 and $121, respectively.

Table of Contents

Quarterly Financial Information (Unaudited)

	In thousands, except per share amounts			
	Quarters ended			
	December 31	**March 31**	**June 30**	**September 30**
2008				
Net Sales	$ 18,323	$ 24,573	$ 23,915	$ 21,532
Production costs	$ 13,949	$ 17,641	$ 19,106	$ 16,495
Production engineering and development	$ 604	$ 647	$ 786	$ 758
Selling, general and administrative	$ 2,498	$ 2,825	$ 3,115	$ 3,077
Income from operations	$ 1,272	$ 3,460	$ 908	$ 1,210
Income from investee	$ 15,624	$	$	$
Net income	$ 13,113	$ 1,320	$ 686	$ 134
Basic earnings per share:				
Net income	$ 1.36	$ 0.14	$ 0.07	$ 0.01
Diluted earnings per share:				
Net income	$ 1.36	$ 0.14	$ 0.07	$ 0.01
2007				
Net Sales	$ 12,370	$ 26,491	$ 21,187	$ 15,238
Production costs	$ 9,337	$ 18,763	$ 15,595	$ 11,741
Production engineering and development	$ 591	$ 630	$ 619	$ 727
Selling, general and administrative	$ 2,668	$ 2,990	$ 2,589	$ 2,703
Income from operations	$ (226)	$ 4,108	$ 2,384	$ 66
Income from investee	$ 3,285	$ 11,887	$ 4,765	$
Net income	$ 1,483	$ 10,491	$ 5,663	$ 858
Basic earnings per share:				
Net income	$ 0.15	$ 1.09	$ 0.59	$ 0.09
Diluted earnings per share:				
Net income	$ 0.15	$ 1.08	$ 0.59	$ 0.09

The earnings per share on a year-to-date calculation may not equal the total of the quarterly calculations due to rounding.

Table of Contents

SCHEDULE II

Gencor Industries, Inc.

Valuation and Qualifying Accounts

Description	Balance at Beginning of Year	Charges/Credits to Cost and Expenses	Additions/ (Deductions)	Balance at End of Year
Valuation accounts deducted from assets to which they apply:				
For doubtful accounts receivable:				
September 30, 2008	$ 1,685	$ 410	$ (168)	$ 1,927
September 30, 2007	$ 1,440	$ 360	$ (115)	$ 1,685
September 30, 2006	$ 1,159	$ 470	$ (189)	$ 1,440
For inventory obsolescence:				
September 30, 2008	$ 2,659	$ (82)	$ (150)	$ 2,427
September 30, 2007	$ 3,889	$ (44)	$ (1,186)	$ 2,659
September 30, 2006	$ 3,874	$ 15	$	$ 3,889

42

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

ITEM 9A. CONTROLS AND PROCEDURES
Evaluation of Disclosure Controls and Procedures

The Company s Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company s disclosure controls and procedures are effective.

Because of inherent limitations, our disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of such disclosure controls and procedures are met and no evaluation can provide absolute assurance that all control issues and instances of fraud, if any, within the Company has been detected.

As of the end of the period covered by this Report we conducted an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2008.

Management s Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company s internal control system is designed to provide reasonable assurance to the Company s management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There are inherent limitations in the effectiveness of all internal control systems no matter how well designed. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the preparation and presentation of financial statements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in circumstances or conditions.

In order to ensure that the Company s internal control over financial reporting is effective, management regularly assesses such controls and did so most recently as of September 30, 2008. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes the Company s maintained effective internal control over financial reporting as of September 30, 2008. Moore Stephen Lovelace, P. A., the Company s independent registered public accounting firm, has issued an attestation report on the Company s internal control over financial reporting as of September 30, 2008.

Table of Contents

Changes in Internal Control over Financial Reporting

Our management, including the Chief Executive Officer and Chief Financial Officer has reviewed our internal controls over financial reporting. There were no changes in our internal controls over financial reporting during the quarter ended September 30, 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 is incorporated herein by reference to the Company s definitive 2009 Proxy Statement for the Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated herein by reference to the Company s definitive 2009 Proxy Statement for the Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is incorporated herein by reference to the Company s definitive 2009 Proxy Statement for the Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is incorporated herein by reference to the Company s definitive 2009 Proxy Statement for the Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 is incorporated herein by reference to the Company s definitive 2009 Proxy Statement for the Annual Meeting of Stockholders.

Table of Contents

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) A listing of financial statements and financial statement schedules filed as part of this Report and which financial statements and schedules are incorporated into this report by reference, is set forth in the Index to Financial Statements in Item 8 hereof.

(b) Exhibit Index

EXHIBIT NUMBER	DESCRIPTION	FILED HEREWITH
3.1	Restated Certificate of Incorporation of Company, incorporated by reference to Exhibit 3.1 to Registration No. 33-627	
3.2	Amended and Restated By-Laws of Gencor Industries, Inc.	
3.3	Certificate of Amendment, changing name of Mechtron International Corporation to Gencor Industries, Inc. and adding a twelfth article regarding director liability limitation, incorporated by reference to the Company s annual report on Form 10-K for the year ended December 31, 1987.	
4.1	Form of Common Stock certificate, incorporated by reference to Exhibit 4.1 to Registration No. 33-627.	
4.47	Amended and Restated Senior Secured Credit Agreement, incorporated by reference to the Company s report on Form 10-K filed on December 26, 2002.	
4.48	Security Agreement dated August 1, 2003, incorporated by reference to the Company s report on Form 8-K filed on August 8, 2003.	
4.49	First Amendment to Revolving Credit and Security Agreement, incorporated by reference to the Company s Form 8-K filed on August 3, 2006.	
10.5	Form of Agreement for Nonqualified Stock Options granted in 1986, incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 1986.	
10.11	1997 Stock Option Plan incorporated by reference to Exhibit A to the Company s Proxy Statement on 14A, filed March 3, 1997.	
10.12	First Amendment to the Stock Option Plan Agreement incorporated by reference to Exhibit 10.12 to the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.	
10.13	Limited Liability Company Operating Agreement of Carbontronics, LLC, incorporated by reference to the Company s Form 10-Q for the quarter ended December 31, 2005.	

Table of Contents

EXHIBIT NUMBER	DESCRIPTION	FILED HEREWITH
10.14	Carbontronics, LLC, Amendment to Operating Agreement incorporated by reference to the Company s Form 10-Q for the quarter ended December 31, 2005.	
10.15	Carbontronics, LLC, Second Amendment to Operating Agreement incorporated by reference to the Company s Form 10-Q for the quarter ended December 31, 2005.	
10.16	Third Amendment to Limited Liability Company Operating Agreement of Carbontronics, LLC, incorporated by reference to the Company s Form 10-Q for the quarter ended December 31, 2005.	
10.17	Purchase and Sale Agreement between Carbontronics Synfuels Investors, L.P. and Carbontronics LLC, incorporated by reference to the Company s Form 10-Q for the quarter ended December 31, 2005.	
10.18	Limited Liability Company Operating Agreement of Carbontronics II, LLC, incorporated by reference to the Company s Form 10-Q for the quarter ended December 31, 2005.	
10.19	Carbontronics II, LLC Unanimous Consent of Members, incorporated by reference to the Company s Form 10-Q for the quarter ended December 31, 2005.	
21.0	Subsidiaries of the Registrant	X
23.1	Independent Auditors Consent	X
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a 14(a) of the Securities Exchange Act of 1934, as amended	X
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a 14(a) of the Securities Exchange Act of 1934, as amended	X
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U. S. C. Section 1350.	X

47

Table of Contents

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 12, 2008	GENCOR INDUSTRIES, INC. (Registrant) /s/ E.J. Elliott E.J. Elliott Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. The signatures of Directors constitute a majority of Directors.

/s/ E.J. Elliott E.J. Elliott Chairman and Chief Executive Officer (Principal Executive Officer)	/s/ Scott W. Runkel Scott W. Runkel Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Marc G. Elliott Marc G. Elliott President and Director	/s/ Cort J. Dondero Cort Dondero Director
/s/ Randolph H. Fields Randolph H. Fields Director	/s/ David A. Air David A. Air Director
/s/ Edward A. Moses, Ph.D. Edward A. Moses Director	

48

Table of Contents

EXHIBITS FILED HEREWITH

Exhibit No.	Description
21.1	Subsidiaries of the Registrant
23.1	Independent Auditor s Consent
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a 14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a 14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U. S. C. Section 1350.