

GENCOR INDUSTRIES INC  
Form 10-K  
December 16, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10 K**

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

**For the Fiscal Year Ended September 30, 2011**

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

**Commission File No. 001-11703**

**GENCOR INDUSTRIES, INC.**

**Incorporated in the  
State of Delaware**

**I.R.S. Employer Identification  
No. 59-0933147**

**5201 North Orange Blossom Trail**

**Orlando, Florida 32810**

**Registrant's Telephone Number, Including Area Code: (407) 290-6000**

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

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Common Stock (\$.10 Par Value)

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer  (Do not check if a smaller reporting Company)

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

The aggregate market value of the common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the most recently completed second fiscal quarter was \$52,429,972.

Indicate the number of shares outstanding of each of the Registrant's classes of Common Stock, as of the latest practicable date: 8,008,632 shares of Common Stock (\$.10 par value) and 1,509,238 shares of Class B Stock (\$.10 par value) as of December 12, 2011.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Form 10-K is incorporated by reference from the Registrant's 2012 Proxy Statement for the Annual Meeting of the Stockholders.

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### **Introductory Note: Caution Concerning Forward-Looking Statements**

This annual report on Form 10-K ( Report ) and the Company s other communications and statements may contain forward-looking statements, including statements about the Company s beliefs, plans, objectives, goals, expectations, estimates, projections and intentions. These statements are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond the Company s control. The words may, could, should, would, believe, anticipate, estimate, expect, intend, plan, target, goal, and similar words are intended to identify forward-looking statements. All forward-looking statements, by their nature, are subject to risks and uncertainties. The Company s actual future results may differ materially from those set forth in the Company s forward-looking statements. For information concerning these factors and related matters, see Risk Factors in Part I, Item 1A in this Report, and Management s Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 in this Report. However, other factors besides those referenced could adversely affect the Company s 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 the Company herein speak as of the date of this Report. The Company does not undertake to update any forward-looking statement, except as required by law.

## **PART I**

### **ITEM 1. BUSINESS**

#### **General**

Gencor Industries, Inc. and its subsidiaries (the Company , we , us or our ) is a leading manufacturer of heavy machinery used in the production of highway construction materials, synthetic fuels, and environmental control equipment. The Company s products are manufactured in two facilities in the United States. The Company s products are sold through a combination of Company sales representatives and independent dealers and agents located throughout the world.

The Company designs, manufactures and sells machinery and related equipment used primarily for the production of asphalt and highway construction materials. The Company s principal core products include asphalt plants, combustion systems and fluid heat transfer systems. The Company believes that its technical and design capabilities, environmentally friendly process technology, and wide range of products have enabled it to become a leading producer of highway construction materials, synthetic fuels and environmental control equipment worldwide. The Company believes it has the largest installed base of asphalt production plants in the United States.

Because the Company s products are sold primarily to the highway construction industry, the business is seasonal in nature. Traditionally, the Company s customers do not purchase new equipment for shipment during the summer and fall months to avoid disrupting their peak season for highway construction and repair work. The majority of orders for the Company s products are typically received between October and February, with a significant volume of shipments occurring prior to May. Due to the late start in customer orders in fiscal 2011, and as compared to fiscal 2010, the Company experienced improved shipments in its third fiscal quarter and into the start of the fourth fiscal quarter. The principal factors driving demand for the Company s products are the level of government funding for domestic highway construction and repair, infrastructure development in emerging economies, the need for spare parts, and a trend towards larger plants resulting from industry consolidation.

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In 1968, the Company was formed by the merger of Mechtron Corporation with General Combustion, Inc. and Genco Manufacturing, Inc. The new entity reincorporated in Delaware in 1969 and adopted the name Mechtron International Corporation in 1970. In 1985, the Company began a series of acquisitions into related fields starting with the Beverley Group Ltd. in the United Kingdom (the UK). Hy-Way Heat Company, Inc. and the Bituma Group were acquired in 1986. In 1987, the Company changed its name to Gencor Industries, Inc. and acquired the Davis Line Inc. and its subsidiaries in 1988.

In 1998, the Company entered into agreements with Carbontronics, LLC (CLLC) pursuant to which the Company designed, manufactured, sold and installed four synthetic fuel production plants. In addition to payment for the plants, the Company received membership interests in two synthetic fuel entities (Synfuelcos). The Synfuelcos derived significant cash flow from the sale of synthetic fuel and tax credits (Internal Revenue Code, Section 29) and consequently distributed significant cash to the Company beginning in 2001 and through 2010.

The 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 informed the Company that there were no operations in calendar 2008 and almost all of the partnership affairs were finalized in 2008. The Company received \$163,000 of final distributions in fiscal 2010. Gencor no longer has any position in the Synfuelcos and to our information and belief those entities have been dissolved.

## **Products**

*Asphalt Plants.* The Company manufactures and produces hot-mix asphalt plants used in the production of asphalt paving materials. The Company also manufactures related asphalt plant equipment including hot mix storage silos, fabric filtration systems, cold feed bins and other plant components. The Company's H&B (Hetherington and Berner) product line is the world's oldest asphalt plant line, first manufactured in 1894. The Company's subsidiary, Bituma Corporation, formerly known as Boeing Construction Company, developed the continuous process for asphalt production, which has been adopted as the United States industry's standard technology, as well as patented the Gencor counter flow technology, several adaptations of which have become the industry standard, which recaptures and burns emissions and vapors, resulting in a cleaner and more efficient process. The Company manufactures a very comprehensive range of fully mobile batch plants, as well as trommel screens.

*Combustion Systems and Industrial Incinerators.* The Company manufactures combustion systems, which are large burners that can transform most solid, liquid or gaseous fuels into usable energy, or burn multiple fuels, alternately or simultaneously. Through its subsidiary General Combustion, the Company has been a significant source of combustion systems for the asphalt and aggregate drying industries since the 1950's. The Company also manufactures soil remediation machinery, as well as combustion systems for rotary dryers, kilns, fume and liquid incinerators and fuel heaters. The Company believes maintenance and fuel costs are lower for its burners because of their superior design.

*Fluid Heat Transfer Systems.* The Company's General Combustion subsidiary also manufactures the Hy-Way heat and Beverley lines of thermal fluid heat transfer systems and specialty storage tanks for a wide array of industry uses. Thermal fluid heat transfer systems are similar to boilers, but use high temperature oil instead of water. Thermal fluid heaters have been replacing steam pressure boilers as the best method of heat transfer for storage, heating and pumping viscous materials (i.e., asphalt, chemicals, heavy oils, etc.) in many industrial and petrochemical applications worldwide. The Company believes the high efficiency design of its thermal fluid heaters can outperform competitive units in many types of process applications.

## **Product Engineering and Development**

The Company is engaged in product engineering and development efforts to expand its product lines and to further develop more energy efficient and environmentally compatible systems.

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Significant developments include the use of cost effective, non-fossil fuels, biomass (bagasse, municipal solid waste, sludge and wood waste), refuse-derived fuel, coal and coal mixtures, the economical recycling of old asphalt and new designs of environmentally compatible asphalt plants. Product engineering and development activities are directed toward more efficient methods of producing asphalt and lower cost fluid heat transfer systems. In addition, efforts are also focused on developing combustion systems that operate at higher efficiency and offer a higher level of environmental compatibility. The Company also continues to evaluate opportunities in the energy field.

## **Sources of Supply and Manufacturing**

Substantially all products and components sold by the Company and its subsidiaries are manufactured and assembled by the Company, except for procured raw materials and hardware. The Company purchases a large quantity of steel, raw materials and hardware used to manufacture its products from hundreds of suppliers and is not dependent on any single supplier. Periodically, the Company reviews the cost effectiveness of internal manufacturing versus outsourcing its product lines to independent third parties and currently believes it has the internal capability to produce the highest quality product at the lowest cost. This, however, may change from time to time.

## **Seasonality**

The Company is concentrated in the asphalt-related business and subject to a seasonal slow-down during the third and fourth quarters of the calendar year. Traditionally, the Company's customers do not purchase new equipment for shipment during the summer and fall months to avoid disrupting their peak season for highway construction and repair work. This slow-down often results in lower reported sales and earnings and/or losses during the first and fourth quarters of the Company's fiscal year.

## **Competition**

The markets for the Company's products are highly competitive. Within a given product line, the industry remains fairly concentrated, with typically a small number of companies competing for the majority of a product line's industry sales. The principal competitive factors include technology and overall product design. The Company believes it manufactures the heaviest built equipment in the industry. In addition, dependability and reliability of performance, brand recognition, pricing and after-the-sale customer support are significant factors. Management believes its ability to compete depends upon its continual efforts to maintain and improve product performance, availability and dependability, competitively price its products, and provide the best customer support and service in the industry.

## **Sales and Marketing**

The Company's products and services are marketed internationally through a combination of Company employed sales representatives and independent dealers and agents.

## **Sales Backlog**

The Company's manufacturing processes allow for a relatively short turnaround from the order date to shipment date of usually less than ninety days. Therefore, the size of the Company's backlog should not be viewed as an indicator of the Company's annualized revenues or future financial results. The Company's backlog was approximately \$18.6 million and \$11.4 million as of December 1, 2011 and December 1, 2010, respectively.

## **Financial Information about Geographic Areas Reporting Segments**

The Company sold its operations in the United Kingdom in June 2009. For a geographic breakdown of revenues see the table captioned Reporting Segments in Note 1 to the Consolidated Financial Statements in Item 8.

## **Licenses, Patents and Trademarks**

The Company holds numerous patents covering technology and applications related to various products, equipment and systems, and numerous trademarks and trade names registered with the U.S. Patent and Trademark Office and in various foreign countries. In general, the Company depends upon technological capabilities, manufacturing quality control and application know-how, rather than patents or other proprietary rights in the conduct of its business. The Company believes the expiration of any one of these patents, or a group of related patents, would not have a material adverse effect on the overall operations of the Company.



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**Government Regulations**

The Company believes its design and manufacturing processes meet all industry and governmental agency standards that may apply to its entire line of products, including all domestic and foreign environmental, structural, electrical and safety codes. The Company's products are designed and manufactured to comply with U.S. Environmental Protection Agency regulations. Certain state and local regulatory authorities have strong environmental impact regulations. While the Company believes that such regulations have helped, rather than restricted its marketing efforts and sales results, there is no assurance that changes to federal, state, local, or foreign laws and regulations will not have a material adverse effect on the Company's products and earnings in the future.

**Environmental Matters**

The Company is subject to various federal, state, local and foreign laws and regulations relating to the protection of the environment. The Company believes it is in material compliance with all applicable environmental laws and regulations. The Company does not expect any material impact on future operating costs as a result of compliance with currently enacted environmental regulations.

**Employees**

As of September 30, 2011, the Company employed a total of 275 employees. The Company has collective bargaining agreements covering production and maintenance employees at its Marquette, Iowa facility. The remaining employees are not represented by a labor union or collective bargaining agreement. The Company believes that its relationship with its employees is good.

**Available Information**

For further discussion concerning the Company's business, see the information included in Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Item 8 (Financial Statements and Supplementary Data) of this Report.

The Company makes available free of charge through its web site at [www.gencor.com](http://www.gencor.com) the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, if applicable, filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after the material is electronically filed with or furnished to the Securities and Exchange Commission (SEC). The information posted on the web site is not incorporated into this Annual Report on Form 10-K.

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**ITEM 1A. RISK FACTORS**

*The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company presently deems less significant may also impair the Company's business operations. If any of the following risks actually occur, the Company's business operating results and financial condition could be materially adversely affected. The order of these risk factors does not reflect their relative importance or likelihood of occurrence.*

***The business may be adversely affected by the current economic downturn.***

The domestic and international economies have experienced a significant downturn. This downturn has been magnified by the tightening of the credit markets. The domestic and international markets may remain depressed for an undeterminable period of time. The Company's sales to contractors are dependent on construction and infrastructure spending and availability of credit to its customers. Changes in construction and governmental spending have had and could continue to have a material adverse effect on the Company's results of operations.

***The business is affected by the cyclical nature of the markets it serves.***

The demand for the Company's products and service is dependent on general economic conditions and more specifically, the commercial construction industry. Adverse economic conditions may cause customers to forego or delay new purchases and rely more on repairing existing equipment thus negatively impacting the Company's sales and profits. Rising gas and oil prices, increasing steel prices and shortage of qualified workers can have adverse effects on the Company. Market conditions could limit the Company's ability to raise selling prices to offset increases in inventory costs.

***The business is affected by the level of government funding for highway construction.***

Many contractors depend on funding by federal and state agencies for highway, transit and infrastructure programs. Future legislation may increase or decrease government spending, which if decreased, could have a negative affect on the Company's financial condition or results of operations. Federal funding of infrastructure may be decreased in the future, especially since the United States is currently experiencing an economic downturn.

***If the Company fails to comply with requirements relating to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, the business could be harmed and its stock price could decline.***

Rules adopted by the Securities and Exchange Commission pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require the Company to assess its internal control over financial reporting annually. The rules governing the standards that must be met for management to assess its internal control over financial reporting are complex. They require significant documentation, testing, and possible remediation of any significant deficiencies in and/or material weaknesses of internal controls in order to meet the detailed standards under these rules. The Company has evaluated its internal control over financial reporting as effective as of September 30, 2011. See Item 9A(T) Controls and Procedures Management's Annual Report on Internal Control over Financial Reporting. Although the Company has evaluated its internal control over financial reporting as effective as of September 30, 2011, in future fiscal years, the Company may encounter unanticipated delays or problems in assessing its internal control over financial reporting as effective or in completing its assessments by the required dates. In addition, the Company cannot assure you that its independent registered public accountants will attest that internal control over financial reporting are effective in future fiscal years. If the Company cannot assess its internal control over financial reporting as effective, investor confidence and share value may be negatively impacted.

***The Company may be required to reduce its profit margins on contracts on which it uses the percentage-of-completion accounting method.***

The Company records revenues and profits on many of its contracts using the percentage-of-completion method of accounting. As a result, revisions made to the estimates of revenues and profits are recorded in the period in which the conditions that require such revisions become known and can be estimated. Although the Company believes that its profit margins are fairly stated and that adequate provisions for losses for its fixed-price contracts are recorded in the financial statements, as required under U.S. generally accepted accounting principles (GAAP), the Company cannot assure you that its contract profit margins will not decrease or its loss provisions will not increase materially in the future.



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### ***The Company may encounter difficulties with future acquisitions.***

As part of its growth strategy, the Company intends to evaluate the acquisitions of other companies, assets or product lines that would complement or expand the Company's existing businesses or broaden its customer relationships. Although the Company conducts due diligence reviews of potential acquisition candidates, it may not be able to identify all material liabilities or risks related to potential acquisition candidates. There can be no assurance that the Company will be able to locate and acquire any business, retain key personnel and customers of an acquired business or integrate any acquired business successfully. Additionally, there can be no assurance that financing for any acquisition, if necessary, will be available on acceptable terms, if at all, or that the Company will be able to accomplish its strategic objectives in connection with any acquisition. Although the Company periodically considers possible acquisitions, no specific acquisitions are probable as of the date of this Report on Form 10-K.

### ***Demand for the Company's products is cyclical in nature.***

Orders for the Company's products slow down during the summer and fall months since its customers generally do not purchase new equipment for shipment in their peak season for highway construction and repair work. In addition, demand for the Company's products depends in part upon the level of capital and maintenance expenditures by the highway construction industry. The highway construction industry historically has been cyclical in nature and vulnerable to general downturns in the economy. Decreases in industry spending could have a material adverse effect upon demand for the Company's products and negatively impact its business, financial condition, results of operations and the market price of its common stock.

### ***The Company's marketable securities are comprised of stocks and bonds invested through a professional investment advisor and are subject to various risks such as interest rates, markets, 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, changes in these risk factors could have a material adverse impact on the Company's results of operations.

### ***There are and will continue to be quarterly fluctuations of the Company's operating results.***

The Company's operating results historically have fluctuated from quarter to quarter as a result of a number of factors, including the value, timing and shipment of individual orders and the mix of products sold. Revenues from certain large contracts are recognized using the percentage of completion method of accounting. The Company recognizes product revenues upon shipment for the rest of its products. The Company's asphalt production equipment operations are subject to seasonal fluctuation, which may lower revenues and result in possible losses in the first and fourth fiscal quarters of each year. Traditionally, asphalt producers do not purchase new equipment for shipment during the summer and fall months to avoid disruption of their activities during peak periods of highway construction.

### ***If the Company is unable to attract and retain key personnel, its business could be adversely affected.***

The success of the Company will continue to depend substantially upon the efforts, abilities and services of its management team and certain other key employees. The loss of one or more key employees could adversely affect the Company's operations. The Company's ability to attract and retain qualified personnel, either through direct hiring, or acquisition of other businesses employing such persons, will also be an important factor in determining its future success.

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### ***The Company may be required to defend its intellectual property against infringement or against infringement claims of others.***

The Company holds numerous patents covering technology and applications related to various products, equipment and systems, and numerous trademarks and trade names registered with the U.S. Patent and Trademark Office and in various foreign countries. There can be no assurance as to the breadth or degree of protection that existing or future patents or trademarks may afford the Company, or that any pending patent or trademark applications will result in issued patents or trademarks, or that the Company's patents, registered trademarks or patent applications, if any, will be upheld if challenged, or that competitors will not develop similar or superior methods or products outside the protection of any patents issued, licensed or sublicensed to the Company. Although the Company believes that none of its patents, technologies, products or trademarks infringe upon the patents, technologies, products or trademarks of others, it is possible that the Company's existing patents, trademarks or other rights may not be valid or that infringement of existing or future patents, trademarks or proprietary rights may occur. In the event that the Company's products are deemed to infringe upon the patent or proprietary rights of others, the Company could be required to modify the design of its products, change the name of its products or obtain a license for the use of certain technologies incorporated into its products. There can be no assurance that the Company would be able to do any of the foregoing in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do so could have a material adverse effect on the Company. In addition, there can be no assurance that the Company will have the financial or other resources necessary to enforce or defend a patent, registered trademark or other proprietary right, and, if the Company's products are deemed to infringe upon the patents, trademarks or other proprietary rights of others, the Company could become liable for damages, which could also have a material adverse effect on the Company.

### ***The Company may be subject to substantial liability for the products it produces.***

The Company is engaged in a business that could expose it to possible liability claims for personal injury or property damage due to alleged design or manufacturing defects in its products. The Company believes that it meets existing professional specification standards recognized or required in the industries in which it operates, and there are no material product liability claims pending against the Company as of the date hereof. Although the Company currently maintains product liability coverage which it believes is adequate for the continued operation of its business, such insurance may prove inadequate or become difficult to obtain or unobtainable in the future on terms acceptable to the Company.

### ***The Company is subject to extensive environmental laws and regulations, and the costs related to compliance with, or the Company's failure to comply with, existing or future laws and regulations, could adversely affect the business and results of operations.***

The Company's operations are subject to federal, state, local and foreign laws and regulations relating to the protection of the environment. Sanctions for noncompliance may include revocation of permits, corrective action orders, significant administrative or civil penalties and criminal prosecution. The Company's business involves environmental management and issues typically associated with historical manufacturing operations. To date, the Company's cost of complying with environmental laws and regulations has not been material, but the fact that such laws or regulations are changed frequently makes predicting the cost or impact of such laws and regulations on the Company's future operations uncertain.

### ***The loss of one or more of the Company's raw materials suppliers, or increase in prices, could cause production delays, a reduction of revenues or an increase in costs.***

The principal raw materials the Company uses are steel and related products. The Company has no long-term supply agreements with any of its major suppliers. However, the Company has generally been able to obtain sufficient supplies of raw materials for its operations. Although the Company believes that such raw materials are readily available from alternate sources, an interruption in the supply of steel and related products or a substantial increase in the price of any of these raw materials could have a material adverse effect on the Company's business, financial condition and results of operations.

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**Table of Contents*****The Company is subject to significant government regulations.***

The Company is subject to a variety of governmental regulations relating to the manufacturing of its products. Any failure by the Company to comply with present or future regulations could subject it to future liabilities, or the suspension of production that could have a material adverse effect on the Company's results of operations. Such regulations could also restrict the Company's ability to expand its facilities, or could require the Company to acquire costly equipment or to incur other expenses to comply with such regulations. Although the Company believes it has the design and manufacturing capability to meet all industry or governmental agency standards that may apply to its product lines, including all domestic and foreign environmental, structural, electrical and safety codes, there can be no assurance that governmental laws and regulations will not become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with a violation. The cost to the Company of such compliance to date has not materially affected its business, financial condition or results of operations. There can be no assurance, however, that violations will not occur in the future as a result of human error, equipment failure or other causes. The Company's customers are also subject to extensive regulations, including those related to the workplace. The Company cannot predict the nature, scope or effect of governmental legislation, or regulatory requirements that could be imposed or how existing or future laws or regulations will be administered, or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of regulatory agencies, could require substantial expenditures by the Company and could adversely affect its business, financial condition and results of operations.

***The Company's management has effective voting control.***

The Company's officers and directors beneficially own an aggregate of approximately 94.6% of the outstanding shares of the Company's \$.10 par value Class B stock. The Class B stock is entitled to elect 75% (calculated to the nearest whole number, rounding five-tenths to next highest whole number) of the members of its Board of Directors. Further, approval of a majority of the Class B stock is generally required to effect a sale of the Company and certain other corporate transactions. As a result, these stockholders can elect more than a majority of the Board of Directors and exercise significant influence over most matters requiring approval by the Company's stockholders. This concentration of control may also have the effect of delaying or preventing a change in control.

***The issuance of preferred stock may impede a change of control or may be dilutive to existing stockholders.***

The Company's Certificate of Incorporation, as amended, authorizes the Company's Board of Directors, without stockholder vote, to issue up to 300,000 shares of preferred stock in one or more series and to determine for any series the dividend, liquidation, conversion, voting or other preferences, rights and terms that are senior, and not available, to the holders of the Company's common stock. Thus, issuances of series of preferred stock could adversely affect the relative voting power, distributions and other rights of the common stock. The issuance of preferred stock could deter or impede a merger, tender offer or other transaction that some, or a majority of the Company's common stockholders might believe to be in their best interest or in which the Company's common stockholders might receive a premium for their shares over the then current market price of such shares.

***The Company may be required to indemnify its directors and executive officers.***

The Company has authority under Section 145 of the Delaware General Corporation Law to indemnify its directors and officers to the extent provided in that statute. The Company's Certificate of Incorporation, as amended, provides that a director shall not be personally liable to the Company for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law. The Company's Bylaws provide in part that it indemnify each of its 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. The Company maintains 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 the Company. 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, the Company may be forced to pay such difference.

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The Company enters into indemnification agreements with each of its executive officers and directors containing provisions that may require the Company, 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.

### ***The Company does not expect to pay dividends for the foreseeable future.***

For the foreseeable future, the Company intends to retain any earnings to finance its business requirements, and it does not anticipate paying any cash dividends on its common stock or Class B stock. Any future determination to pay dividends will be at the discretion of the Company's Board of Directors and will be dependent upon then existing conditions, including the 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 the Company's products and services and cause it to lose market share.***

The Company currently faces strong competition in product performance, price and service. Some of the Company's national competitors have greater financial, product development and marketing resources than the Company. If competition in the Company's industry intensifies or if the current competitors enhance their products or lower their prices for competing products, the Company may lose sales or be required to lower the prices it charges for its products. This may reduce revenues from the Company's products and services, lower its gross margins or cause it to lose market share.

### ***The Company's quarterly operating results are likely to fluctuate, which may decrease its stock price.***

The Company's 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, the Company's 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 its common stock. The reasons the Company's quarterly results may fluctuate include:

General competitive and economic conditions

Delays in, or uneven timing in, delivery of customer orders

The seasonal nature of the industry

The introduction of new products by the Company or its 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.

### ***The Company's 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 the Company's control.***

The market price of the Company's common stock may be significantly affected by various factors such as:

Quarterly variations in operating results

Changes in revenue growth rates as a whole or for specific geographic areas or products

Changes in earnings estimates by market analysts

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The announcement of new products or product enhancements by the Company or its competitors

Speculation in the press or analyst community, and

General market conditions or market conditions specific to particular industries.

The market price of the Company's common stock may experience significant fluctuations in the future.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None

**ITEM 2. PROPERTIES**

The following table lists the operating properties owned by the Company as of September 30, 2011:

<b>Location</b>	<b>Owned Acreage</b>	<b>Building Square Footage</b>	<b>Principal Function</b>
Marquette, Iowa	72.0	137,000	Offices and manufacturing
Orlando, Florida	27.0	215,000	Corporate offices and manufacturing

**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.

**Table of Contents****PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER'S PURCHASES OF EQUITY SECURITIES**

The Company's stock has been traded on the NASDAQ Global Market under the symbol "GENC" since December 20, 2007.

Following are the high and low closing prices for the Company's common stock for the periods indicated:

<b>2011</b>	<b>HIGH</b>	<b>LOW</b>
First Quarter	\$ 7.62	\$ 6.94
Second Quarter	\$ 8.10	\$ 7.17
Third Quarter	\$ 8.03	\$ 7.45
Fourth Quarter	\$ 7.75	\$ 7.11
<b>2010</b>	<b>HIGH</b>	<b>LOW</b>
First Quarter	\$ 8.56	\$ 7.03
Second Quarter	\$ 7.91	\$ 6.76
Third Quarter	\$ 8.15	\$ 7.30
Fourth Quarter	\$ 7.86	\$ 6.83

As of September 30, 2011, there were 285 holders of common stock of record and 5 holders of Class B Stock of record. 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.

**EQUITY COMPENSATION PLANS**

The following table includes information about the Company's common stock that may be issued upon exercise of options, warrants and rights under all of the existing equity compensation plans and arrangements previously approved by security holders as of September 30, 2011:

Plan	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
1997 Stock Option Plan	27,500	\$ 9.320	
2009 Incentive Compensation Plan	298,000	\$ 7.689	662,000 (b)

(b) Includes 160,000 of Class B securities

**Table of Contents****COMPARATIVE 5 YEAR CUMULATIVE RETURN GRAPH**

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, 2011, 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, 2006.

**Comparison of Cumulative Total Return among Gencor Industries, Inc., the  
Wilshire Small Capitalization Index and the Dow Jones Heavy Construction Index**

<b>With Base Year of 2006:</b>	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011
Gencor Industries, Inc.	100.00	107.03	87.35	92.97	77.19	78.38
DJ Heavy Construction Index	100.00	201.62	128.82	121.66	114.54	99.85
Wilshire Small Cap Index	100.00	105.95	84.09	80.86	88.75	90.52

On December 12, 2011, the Company's stock was available for trading on the NASDAQ Global Market under the symbol GENC.



**Table of Contents****ITEM 6. SELECTED FINANCIAL DATA**

	2011	Years Ended September 30			2007
		2010	2009	2008	
		<i>(in thousands, except per share data)</i>			
Net Revenue	\$ 59,692	\$ 55,587	\$ 56,789	\$ 88,343	\$ 75,286
Operating Income (Loss)	(1,743)	(3,049)	(4,769)	6,848	6,333
Net Income (Loss)	224	2,969	(2,551)	15,247	18,495
Per Share Data:					
Basic Net Income (Loss)	\$ 0.02	\$ 0.31	\$ (0.27)	\$ 1.59	\$ 1.91
Diluted Net Income (Loss)	\$ 0.02	\$ 0.31	\$ (0.27)	\$ 1.59	\$ 1.91
Selected Balance Sheet Data:					
	2011	2010	September 30		2007
			<i>(in thousands)</i>		
Current Assets	\$ 95,424	\$ 99,096	\$ 95,806	\$ 105,216	\$ 96,392
Current Liabilities	5,576	6,174	5,707	12,807	14,048
Total Assets	104,375	107,227	104,457	114,217	104,227
Long Term Debt					
Shareholders Equity	98,799	98,528	96,297	99,015	83,781

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**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 the Company's expectations and beliefs, including, but not limited to, statements concerning gross margins, sales of the Company's 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 the Company's control. Actual results may differ materially depending on a variety of important factors, including the financial condition of the Company's customers, changes in the economic and competitive environments, the performance of the investment portfolio and the demand for the Company's 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 the Company's 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 the Company herein speak as of the date of this Report. The Company does not undertake to update any forward-looking statement, except as required by law.

**Overview**

Gencor Industries, Inc., (the Company) is a leading manufacturer of heavy machinery used in the production of highway construction materials, synthetic fuels, and environmental control equipment. The Company's core products include asphalt plants, combustion systems and fluid heat transfer systems. The Company's products are manufactured in two facilities in the United States.

Because the Company's products are sold primarily to the highway construction industry, the business is seasonal in nature. Traditionally, the Company's customers do not purchase new equipment for shipment during the summer and fall months to avoid disrupting their peak season for highway construction and repair work. The majority of orders for the Company's products are thus received between October and February, with a significant volume of shipments occurring prior to May. Due to the late start in customer orders in fiscal 2011, and as compared to fiscal 2010, the Company experienced improved shipments in its third fiscal quarter and into the start of the fourth fiscal quarter. The principal factors driving demand for the Company's products are the overall economic conditions, the level of government funding for domestic highway construction and repair, infrastructure development in emerging economies, the need for spare parts, fluctuations in the price of crude oil (liquid asphalt as well as fuel costs), and a trend towards larger plants resulting from industry consolidation.

In August 2005, the federal government passed the Safe, Accountable, Flexible and Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU). This bill appropriated a multi-year guaranteed funding of \$286.5 billion for federal highway, transit and safety programs that expired on September 30, 2009. On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA), which included approximately \$27.5 billion for highway and bridge construction activities. The ARRA and any future legislation approved by Congress could reduce infrastructure funding levels. In addition, funding restrictions can be imposed on states that do not comply with certain federal policies. On March 18, 2010, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act. This law extended authorization of the surface transportation programs previously funded under SAFETEA-LU through December 31, 2010 at 2009 levels. In addition, the HIRE Act authorized a one-time transfer of \$19.5 billion from the general fund to the highway trust fund related to previously foregone interest payments. On December 22, 2010, President Obama signed into law the Continuing Appropriations and Surface Transportation Extensions Act, 2011 extending funding for federal surface transportation programs authorized under SAFETEA-LU through March 4, 2011. On March 4, 2011, President Obama signed into law the Surface Transportation Extension Act of 2011 providing an extension of Federal-aid highway, transit and other programs funded out of the Highway Trust Fund through September 30, 2011. On September 17, 2011, Obama signed an eighth extension of SAFETEA-LU which authorizes funding at 2011 levels through March 31, 2012, pending enactment of a multi-year law reauthorizing such programs. Although these extensions help stabilize the federal highway program, the Company believes a new multiyear highway program would have the greatest positive impact on the road construction industry and allow its customers to plan and execute longer term projects.

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In January 2009, the Canadian government announced its economic action plan to stimulate economic growth which included a \$12 billion two year investment in new infrastructure including roads, bridges and other infrastructure. The Company's financial performance over the past two years has benefited from programs associated with this funding.

The economic downturn over the past several years and the lack of a multiyear federal highway bill have resulted in reduced purchasing within the Company's served markets and thus have had a direct impact on sales and pricing pressures on the Company's products resulting in lower pricing and margins. The Company's typical sales of asphalt plants are in the \$2 to \$4 million range and may require the Company's customers to obtain financing. On the positive side, the reduced value of the US dollar has resulted in more interest and continued sales from international markets.

In addition to government funding and the overall economic conditions, fluctuations in the price of oil, which is a major component of asphalt mix, may affect the Company's financial performance. An increase in the price of oil increases the cost of liquid asphalt and could therefore decrease demand for asphalt and certain of the Company's products. The increase in oil prices over the past year has also driven up the cost of gasoline which has resulted in increased freight costs. Where possible, the Company will pass these increased freight costs onto its customers. However, the Company may not be able to recapture all of the increased costs and thus which could have a negative impact on the Company's financial performance. The magnitude of that impact cannot be determined.

Steel is a major component used in manufacturing the Company's equipment. During the first nine months of fiscal 2011, the Company has experienced increases in prices for the steel beam and plate used in its products. Where possible, the Company will pass these increased steel costs onto its customers. However, the Company may not be able to recapture all of the increased steel costs and thus its financial results could be negatively affected.

For the long term, the Company believes the strategy of continuing to invest in product engineering and development and its focus on delivering a high-quality product and superior service will strengthen the Company's market position when demand for its products rebound. In response to the short-term outlook, the Company has taken aggressive actions to conserve cash, right-size its operations and cost structure, and will continue to do so based on its forecasts. These actions included adjustments to workforce and staffing, reduced purchases of raw materials and reductions in selling, general, and administrative expenses. The Company continues to review its internal processes to identify inefficiencies and cost reductions and will continue scrutinizing its relationships with external suppliers to ensure the Company is achieving the highest-quality products and services at the most competitive cost.

## **Results of Operations**

*Year ended September 30, 2011 compared with the year ended September 30, 2010*

Net revenues for the year ended September 30, 2011 increased \$4.1 million to \$59.7 million from \$55.6 million for the year ended September 30, 2010. The Company's revenues are concentrated in the asphalt-related business and are subject to a seasonal slow-down during the third and fourth quarters of the calendar year. Due to the late start in customer orders in fiscal 2011, and as compared to fiscal 2010, the Company experienced lower shipments in the first and second quarters of fiscal 2011 but improved shipments in its third and fourth quarters as compared to 2010.

Gross margins for fiscal 2011 were \$9.4 million, or 15.8% of net revenues, versus \$9.2 million in 2010, or 16.5% of net revenues. Gross margin dollars increased in 2011 due to the higher revenues. Margins were negatively impacted by increases in the costs of steel and a \$344,000 increase in LIFO reserves in 2011. In 2010, margins were positively impacted by a \$641,000 reduction in LIFO reserves. The increase in LIFO reserves in 2011 resulted from the impact of the overall decrease in gross inventories (reduction of higher cost LIFO layers) combined with the current increases in raw material prices.

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Product engineering and development costs in fiscal 2011 were down \$489,000 as compared to 2010 as engineering costs related to specific R&D projects were reduced. Selling and administrative expenses decreased \$554,000 to \$8,946,000 during 2011 due primarily to reduced headcount and reduced bad debt expense.

Fiscal 2011 had an operating loss of \$(1,743,000) versus an operating loss of \$(3,049,000) in 2010. Overall the reduced losses in 2011 primarily resulted from increased revenues and reduced product engineering and development costs, and reduced selling, general and administrative expenses.

In June 2010, the Company was the recipient of ninety-five thousand shares of Company common stock as a result of a settlement and release agreement on a lawsuit against certain Company shareholders. The lawsuit related to alleged short-swing profits arising from purchases and sales of Company common stock by the defendants to the suit. The parties to the suit entered into the agreement for the sole purpose of resolving contested claims and disputes and avoiding the substantial costs associated with litigating the claims and disputes. No wrongdoing or liability was admitted to by the defendants. In 2010, other non-operating income and treasury stock include \$738,000 related to the estimated fair value of the stock received.

As of September 30, 2011 and 2010, the cost basis of the investment portfolio was \$76.3 million and \$70.1 million, respectively. For the year ended September 30, 2011, net investment interest and dividend income ( Investment Income ) was \$2.3 million versus Investment Income of \$3.1 million in 2010. The net realized and unrealized losses on marketable securities were \$(3.1) million in 2011 versus net realized and unrealized gains of \$1.4 million in 2010. Total cash and investment balance at September 30, 2011 was \$74.2 million compared to the September 30, 2010 cash and investment balance of \$76.3 million.

The Company recognized income from Investees of \$163,000 during the year ended September 30, 2010 (see Part 1, Item 1 of this Report).

The effective income tax rate for 2011 was a benefit of 108.8% whereas the effective income tax rate was a benefit of 25.9% for 2010. The increase in the tax benefit in fiscal 2011 was primarily due to a decrease of \$1,724,000 in unrecognized tax benefits following the conclusion of examinations by a state taxing authority during the second fiscal quarter of 2011. The change in the effective tax rate between years is also due to operating losses incurred during 2011 versus profit in 2010, the tax effect in fiscal 2010 of the benefit from prior year net operating loss carry forward, the effect of the tax exempt stock settlement in fiscal 2010 and the effect of tax exempt interest income and unrealized gains (see Note 6 to Consolidated Financial Statements).

Net income for the year ended September 30, 2011 was \$224,000 or \$.02 per share versus \$2,969,000 or \$.31 per share for the year ended September 30, 2010.

## **Liquidity and Capital Resources**

The Company generates capital resources through operations and returns on its investments. During fiscal 2010, the Company received cash distributions from Investees of \$163,000. The Company does not expect to receive any distributions from Investees in subsequent periods.

The Company had previously maintained a Revolving Credit and Security Agreement ( Credit Agreement ) with PNC Bank, N.A. which expired on April 30, 2010. The Company does not currently require a credit facility but continues to review and evaluate its needs and options for such a facility.

The Company had no long term debt outstanding at September 30, 2011 or 2010. In March 2010, the Company replaced its outstanding letters of credit by funding \$975,000 in cash deposits at insurance companies to cover related collateral needs.

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As of September 30, 2011, the Company had \$1.7 million in cash and cash equivalents, and \$72.5 million in marketable securities. The marketable securities are invested through a professional investment advisor. The securities may be liquidated at any time into cash and cash equivalents.

The Company's backlog was \$6.5 million at September 30, 2011 versus \$7.8 million at September 30, 2010. The Company's working capital (defined as current assets less current liabilities) was \$89.8 million at September 30, 2011 and \$92.9 million at September 30, 2010. Costs and estimated earnings in excess of billings increased \$3.9 million primarily due to the increased number of projects in progress at September 30, 2011 as compared to September 30, 2010. Inventories were reduced \$4.5 million as the Company continued its effort to drive down its investment in inventory to match the lower level of operations and produce cash in the slow economy.

Cash provided by operations during the year ended September 30, 2011 was \$177,000. The cash used for investing activities during the year ended September 30, 2011 of \$1,466,000 was related to capital expenditures primarily for improvements to the manufacturing facilities and equipment replacements.

There were no cash disbursements or receipts during the years ended September 30, 2011 or 2010 related to financing activities.

## **Critical Accounting Policies, Estimates and Assumptions**

The Company believes the following discussion addresses its most critical accounting policies, which are those that are most important to the portrayal of the Company's 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 the Consolidated Financial Statements, Accounting Policies.

### *Estimates and Assumptions*

In preparing the Consolidated Financial Statements, the Company uses 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. The Company believes that the estimates and assumptions made in preparing the Consolidated Financial Statements are reasonable, but are inherently uncertain. Assumptions may be incomplete or inaccurate and unanticipated events may occur. The Company is subject to risks and uncertainties that may cause actual results to differ from estimated results.

### *Revenues & Expenses*

Revenues from contracts for the design, manufacture and sale of asphalt plants are recognized under the percentage-of-completion method. The percentage-of-completion method of accounting for these contracts recognizes revenue, net of any promotional discounts, and costs in proportion to actual labor costs incurred as compared with total estimated labor costs expected to be incurred during the entire contract. Pre-contract costs are expensed as incurred. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined. Revenue recognized in excess of amounts billed is classified as current assets under costs and estimated earnings in excess of billings. The Company anticipates that all incurred costs associated with these contracts at September 30, 2011, will be billed and collected within one year.

Revenues from all other contracts for the design and manufacture of custom equipment, for service and for parts sales, net of any discounts and return allowances, are recorded when the following four revenue recognition criteria are met: product is delivered or service is performed, persuasive evidence of an arrangement exists, the selling price is fixed or determinable, and collectability is reasonably assured.

Return allowances, which reduce product revenue, are estimated using historical experience. The Company's customers may qualify for certain cash rebates generally based on the level of sales attained during a twelve-month period. Provisions for these rebates, as well as estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded.

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Product warranty costs are estimated using historical experience and known issues and are charged to production costs as revenue is recognized

All product engineering and development costs, and 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 allowance for doubtful accounts is determined by performing a specific review of all account balances greater than 90 days past due and other higher risk amounts to determine collectability and also adjusting for any known customer payment issues with account balances in the less than 90 day past due aging buckets. Account balances are charged off against the allowance for doubtful accounts when they are determined to be uncollectable. Any recoveries of account balances previously considered in the allowance for doubtful accounts reduce future additions to the allowance for doubtful accounts.

*Investments*

The Company marks to market all trading securities and records any unrealized gains or losses as income or loss in the current period.

*Long Lived Asset Impairment*

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess over its fair value of the asset's carrying value. Fair value is generally determined using a discounted cash flow analysis.

*Inflation*

The overall effects of inflation on the Company's business during the periods discussed have not been significant. The Company monitors the prices it charges for its products and services on an ongoing basis and believes that it will be able to adjust those prices to take into account future changes in the rate of inflation.

*Contractual Obligations*

The following table summarizes the outstanding borrowings and long-term contractual obligations at September 30, 2011:

	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Long-term debt	\$	\$	\$	\$	\$
Operating leases	97,000	46,000	41,000	10,000	
<b>Total</b>	<b>\$ 97,000</b>	<b>\$ 46,000</b>	<b>\$ 41,000</b>	<b>\$ 10,000</b>	<b>\$</b>

There was no long-term debt facility in place and there were no outstanding letters of credit at September 30, 2011.

*Off-Balance Sheet Arrangements*

None

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**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company operates manufacturing facilities and sales offices at two locations in the United States. 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. Periodically, the Company may 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 any future variable rate debt is to limit the impact on earnings and cash flow and reduce overall borrowing costs.

At September 30, 2011 and 2010 the Company had no debt outstanding. At September 30, 2011 there was no credit facility in place. The Company does not currently require a credit facility but continues to review and evaluate its needs and options for such a facility.

The Company's marketable securities are invested in stocks and corporate 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 divestitures, all of which could be significantly influenced by changes in interest rates.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES**

**GENCOR INDUSTRIES, INC.**

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<u>Consolidated Balance Sheets as of September 30, 2011 and 2010</u>	24
<u>Consolidated Statements of Operations for the years ended September 30, 2011 and 2010</u>	25
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All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.



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**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, 2011. 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 maintained effective internal control over financial reporting as of September 30, 2011.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Gencor Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Gencor Industries, Inc. and subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the two-year period ended September 30, 2011. Gencor's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gencor Industries, Inc. as of September 30, 2011 and 2010, and the consolidated results of its operations, changes in shareholders' equity and its cash flows for each of the years in the two-year period ended September 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Moore Stephens Lovelace, P.A.

**MOORE STEPHENS LOVELACE, P.A.**  
Certified Public Accountants  
Orlando, Florida  
December 16, 2011

**Table of Contents****Part I. Financial Information****GENCOR INDUSTRIES, INC.****Consolidated Balance Sheets****As of September 30, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,715,000	\$ 3,004,000
Marketable securities at fair value (Cost of \$76,275,000 at September 30, 2011 and \$70,089,000 at September 30, 2010)	72,486,000	73,327,000
Account receivable, less allowance for doubtful accounts of \$582,000 at September 30, 2011 and \$1,803,000 at September 30, 2010	1,573,000	1,979,000
Costs and estimated earnings in excess of billings	4,450,000	580,000
Inventories, net	12,878,000	17,341,000
Deferred income taxes	690,000	660,000
Prepaid expenses	1,632,000	2,205,000
Total current assets	95,424,000	99,096,000
Property and equipment, net	8,349,000	7,773,000
Other assets	602,000	358,000
Total assets	\$ 104,375,000	\$ 107,227,000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Account payable	\$ 1,978,000	\$ 1,373,000
Customer deposits	756,000	1,478,000
Accrued expenses	2,842,000	3,323,000
Total current liabilities	5,576,000	6,174,000
Deferred and other income taxes		2,525,000
Total liabilities	5,576,000	8,699,000
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; 8,008,632 shares issued and outstanding at September 30, 2011, and 8,103,632 shares issued and 8,008,632 shares outstanding at September 30, 2010	801,000	810,000
Class B Stock, par value \$.10 per share; 6,000,000 shares authorized; 1,509,238 shares issued and outstanding at September 30, 2011 and 2010	151,000	151,000
Capital in excess of par value	9,860,000	10,542,000
Common stock held in treasury, at cost; 95,000 shares at September 30, 2010		(738,000)
Retained earnings	87,987,000	87,763,000

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Total shareholder s equity	98,799,000	98,528,000
Total Liabilities and Shareholder s Equity	\$ 104,375,000	\$ 107,227,000

See accompanying Notes to Consolidated Financial Statements

**Table of Contents****GENCOR INDUSTRIES, INC.****Consolidated Statements of Operations****For the Years Ended September 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
Net revenue	\$ 59,692,000	\$ 55,587,000
Costs and expenses:		
Production costs	50,278,000	46,436,000
Product engineering and development	2,211,000	2,700,000
Selling, general and administrative	8,946,000	9,500,000
	61,435,000	58,636,000
Operating loss	(1,743,000)	(3,049,000)
Other income (expenses):		
Interest and dividend income, net of fees	2,256,000	3,101,000
Income from investees		163,000
Realized and unrealized gains (losses) on marketable securities	(3,113,000)	1,361,000
Other	66,000	783,000
	(791,000)	5,408,000
Income (loss) before income taxes	(2,534,000)	2,359,000
Income tax benefit	(2,758,000)	(610,000)
Net income	\$ 224,000	\$ 2,969,000
Basic earnings per common share:		
Net income	\$ 0.02	\$ 0.31
Diluted earnings per common share:		
Net income	\$ 0.02	\$ 0.31

See accompanying Notes to Consolidated Financial Statements

**Table of Contents****GENCOR INDUSTRIES, INC.****Consolidated Statements of Shareholders' Equity****For the Years Ended September 30, 2011 and 2010***(in thousands)*

	Common Stock						Capital in Excess of Par Value	Retained Earnings	Total Shareholders' Equity
	Common Stock Shares	Common Stock Amount	Held in Treasury Shares	Held in Treasury Amount	Class B Stock Shares	Class B Stock Amount			
September 30, 2009	8,080	\$ 808		\$	1,533	\$ 153	\$ 10,542	\$ 84,794	\$ 96,297
Net income								2,969	2,969
Treasury shares			(95)	(738)					(738)
Conversion of Class B stock	24	2			(24)	(2)			
September 30, 2010	8,104	\$ 810	(95)	\$ (738)	1,509	\$ 151	\$ 10,542	\$ 87,763	\$ 98,528
Net income								224	224
Treasury shares retired	(95)	(9)	95	738			(729)		
Stock-based compensation							47		47
September 30, 2011	8,009	\$ 801		\$	1,509	\$ 151	\$ 9,860	\$ 87,987	\$ 98,799

See accompanying Notes to Consolidated Financial Statements

**Table of Contents****GENCOR INDUSTRIES, INC.****Consolidated Statements of Cash Flows****For the Years Ended September 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operations:</b>		
Net income	\$ 224,000	\$ 2,969,000
Adjustments to reconcile net income to cash provided (used) by operations:		
Purchase of marketable securities	(89,242,000)	(76,062,000)
Proceeds from sale and maturity of marketable securities	87,531,000	62,273,000
Change in value of marketable securities	2,553,000	(1,949,000)
Deferred income taxes	(3,052,000)	6,000
Depreciation and amortization	890,000	905,000
Income from investees		(163,000)
Provision for doubtful accounts	190,000	630,000
Loss on sale of assets		2,000
Gain on legal settlement		(738,000)
Stock-based compensation	47,000	
Change in assets and liabilities:		
Accounts receivable	468,000	3,081,000
Costs and estimated earnings in excess of billings	(3,870,000)	3,950,000
Inventories	4,463,000	4,962,000
Prepaid expenses	573,000	(651,000)
Account payable	605,000	(969,000)
Customer deposits	(722,000)	692,000
Accrued expenses and other	(481,000)	765,000
Total adjustments	(47,000)	(3,266,000)
Cash flows provided (used) by operations	177,000	(297,000)
<b>Cash flows from investing activities:</b>		
Distributions from unconsolidated investees		163,000
Capital expenditures, net of disposals	(1,466,000)	(539,000)
Cash flows used by investing activities	(1,466,000)	(376,000)
Net decrease in cash	(1,289,000)	(673,000)
Cash and cash equivalents at:		
Beginning of period	3,004,000	3,677,000
End of period	\$ 1,715,000	\$ 3,004,000

See accompanying Notes to Consolidated Financial Statements

**Table of Contents****GENCOR INDUSTRIES, INC****Notes to Consolidated Financial Statements****For the Years Ended September 30, 2011 and 2010****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 Gencor Industries, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

**New Accounting Pronouncements and Policies**

No new accounting pronouncements issued or effective during the fiscal year have had or are expected to have a material impact on the Company's consolidated financial statements.

**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.

**Earnings per Share ( EPS )**

The financial statements include basic and diluted earnings 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 stock equivalents. As of September 30, 2011 and 2010, there were no common stock equivalents included in the diluted earnings per share calculation as to do so would have been anti-dilutive.

The following presents the calculation of the basic and diluted income per share for the years ended September 30, 2011 and 2010 (in thousands except per share data):

	2011			2010		
	Net Income	Shares	EPS	Net Income	Shares	EPS
Basic EPS	\$ 224	9,518	\$ 0.02	\$ 2,969	9,581	\$ 0.31
Diluted EPS	\$ 224	9,518	\$ 0.02	\$ 2,969	9,581	\$ 0.31

**Cash Equivalents**

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



**Table of Contents****Marketable Securities**

Marketable debt and equity securities are categorized as trading securities and are thus marked to market and stated at fair value. Fair value is determined using the quoted closing or latest bid prices for Level 1 investments and market standard valuation methodologies for Level 2 investments. Realized gains and losses on investment transactions are determined by specific identification and are recognized as incurred in the statements of operations. Net unrealized gains and losses are reported in the statements of operations in the current period and represent the change in the fair value of investment holdings during the period.

*Fair Value Measurements*

The fair value of financial instruments is presented based upon a hierarchy of levels that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The fair value of marketable equity securities and mutual funds are substantially based on quoted market prices (Level 1). Corporate and municipal bonds are valued using market standard valuation methodologies including: discounted cash flow methodologies, matrix pricing or other similar techniques. The inputs to these market standard valuation methodologies include, but are not limited to: interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, maturity, estimated duration and assumptions regarding liquidity and estimated future cash flows. In addition to bond characteristics, the valuation methodologies incorporate market data, such as actual trades completed, bids and actual dealer quotes, where such information is available. Accordingly, the estimated fair values are based on available market information and judgments about financial instruments (Level 2). Fair values of the Level 2 investments are provided by the Company's professional investment management firm.

The following tables set forth, by level, within the fair value hierarchy, the Company's assets measured at fair value as of September 30, 2011:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Equities	\$ 24,213,000	\$	\$	\$ 24,213,000
Mutual Funds	2,566,000			2,566,000
Corporate Bonds		7,845,000		7,845,000
Municipal Bonds		35,844,000		35,844,000
Cash and Money Funds	2,018,000			2,018,000
Total	\$ 28,797,000	\$ 43,689,000	\$	\$ 72,486,000

Net unrealized losses as of September 30, 2011 were \$3,789,000. Estimated interest accrued on the corporate and municipal bond portfolio was \$568,000 at September 30, 2011.

The following tables set forth, by level, within the fair value hierarchy, the Company's assets measured at fair value as of September 30, 2010. The Company has revised its assessment of the fair value hierarchy level for which its investment in bonds are classified from Level 1 to Level 2. The accompanying table has been adjusted to reflect this reassessment:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Equities	\$ 28,829,000	\$	\$	\$ 28,829,000
Corporate Bonds		7,677,000		7,677,000
Municipal Bonds		35,552,000		35,552,000
Cash and Money Funds	1,269,000			1,269,000
Total	\$ 30,098,000	\$ 43,199,000	\$	\$ 73,327,000



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Net unrealized gains as of September 30, 2010 were \$3,238,000. Estimated interest accrued on the corporate and municipal bond portfolio was \$588,000 at September 30, 2010.

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.

**Foreign Currency Transactions**

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 financial institutions. Operating cash is retained overnight in non-interest bearing accounts which allow for offsets to treasury service charges. The marketable securities are invested in money funds, stocks and corporate 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 valued at the lower of cost or market, with cost being determined principally by using the last-in, first-out ( LIFO ) method and market defined as replacement cost for raw materials and net realizable value for work in process and finished goods. Appropriate consideration is given to obsolescence, excessive levels, deterioration, possible alternative uses and other factors in determining net realizable value. The cost of work in process and finished goods includes materials, direct labor, variable costs and overhead. The Company evaluates the need to record inventory adjustments on all inventories including raw material, work in process, finished goods, spare parts and used equipment. Used equipment acquired by the Company on trade-in from customers is carried at estimated net realizable value. Unless specific circumstances warrant different treatment regarding inventory obsolescence, the cost basis of inventories three to four years old are reduced by 50% while the cost basis of inventories four to five years old are reduced by 75% and the cost basis of inventories greater than five years old are reduced to zero. Inventory is typically reviewed for obsolescence on an annual basis computed as of September 30<sup>th</sup>, the Company's fiscal year end. If significant known changes in trends, technology or other specific circumstances that warrant consideration occur during the year, then the impact on obsolescence is considered at that time.

**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:

	<b>Years</b>
Land improvements	5
Buildings and improvements	6-40
Equipment	2-10

**Impairments**

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset (or asset group) may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess over its fair value of the asset's carrying value. Fair value is generally determined using a discounted cash flow analysis.



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### **Revenues & Expenses**

Revenues from contracts for the design, manufacture and sale of asphalt plants are recognized under the percentage-of-completion method. The percentage-of-completion method of accounting for these contracts recognizes revenue, net of any promotional discounts, and costs in proportion to actual labor costs incurred as compared with total estimated labor costs expected to be incurred during the entire contract. Pre-contract costs are expensed as incurred. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined. Revenue recognized in excess of amounts billed is classified as current assets under costs and estimated earnings in excess of billings. The Company anticipates that all incurred costs associated with these contracts at September 30, 2011, will be billed and collected within one year.

Revenues from all other contracts for the design and manufacture of custom equipment, for service and for parts sales, net of any discounts and return allowances, are recorded when the following four revenue recognition criteria are met: product is delivered or service is performed, persuasive evidence of an arrangement exists, the selling price is fixed or determinable, and collectability is reasonably assured.

The Company's customers may qualify for certain cash rebates generally based on the level of sales attained during a twelve-month period. Provisions for these rebates, as well as estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded. Return allowances, which reduce product revenue, are estimated using historical experience.

Product warranty costs are estimated using historical experience and known issues and are charged to production costs as revenue is recognized

All product engineering and development costs, and 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 allowance for doubtful accounts is determined by performing a specific review of all account balances greater than 90 days past due and other higher risk amounts to determine collectability and also adjusting for any known customer payment issues with account balances in the less than 90 day past due aging category. Account balances are charged off against the allowance for doubtful accounts when they are determined to be uncollectable. Any recoveries of account balances previously considered in the allowance for doubtful accounts reduce future additions to the allowance for doubtful accounts.

### **Shipping and Handling Costs**

Shipping and handling costs are included in production costs in the Consolidated Statements of Operations.

### **Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist primarily of taxes currently due plus deferred taxes (see Note 6).

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 provided income taxes based on the tax regulations of the countries in which they operate. Undistributed earnings of the Company's foreign subsidiaries were intended to be indefinitely reinvested. No deferred taxes were provided on these earnings.

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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. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of a deferred tax asset. No such valuation allowances were recorded as of September 30, 2011 and 2010.

**Comprehensive Income**

For the years ended September 30, 2011 and 2010, other comprehensive income is equal to net income.

**Reporting Segments**

Information concerning principal geographic areas is as follows:

	2011		2010	
	Revenues	Long-Term Assets	Revenues	Long-Term Assets
United States	\$ 59,692,000	\$ 8,703,000	\$ 55,587,000	\$ 7,850,000
United Kingdom		248,000		281,000
<b>Total</b>	<b>\$ 59,692,000</b>	<b>\$ 8,951,000</b>	<b>\$ 55,587,000</b>	<b>\$ 8,131,000</b>

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

**Reclassifications**

Certain reclassifications have been made to the Consolidated Financial Statements and Notes to Consolidated Financial Statements. To maintain comparability among the periods presented, the Company has revised the presentation of certain prior period amounts reported within the Consolidated Financial Statements and Notes to Consolidated Financial Statements. These reclassifications had no impact on previously reported net income.

**NOTE 2 - INVENTORIES, NET**

Net inventories consist of the following:

	September 30,	
	2011	2010
Raw materials	\$ 8,846,000	\$ 11,349,000
Work in process	2,017,000	1,343,000
Finished goods	1,726,000	4,068,000
Used equipment	289,000	581,000
	<b>\$ 12,878,000</b>	<b>\$ 17,341,000</b>

At September 30, 2011 and 2010, 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 \$4,435,000 and \$4,091,000 at September 30, 2011 and 2010, respectively.

**Table of Contents****NOTE 3 - COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS**

Costs and estimated earnings in excess of billings on uncompleted contracts consist of the following:

	September 30,	
	2011	2010
Costs incurred on uncompleted contracts	\$ 7,039,000	\$ 357,000
Estimated earnings	2,059,000	387,000
	9,098,000	744,000
Billings to date	4,648,000	164,000
Costs and estimated earnings in excess of billings	\$ 4,450,000	\$ 580,000

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	September 30,	
	2011	2010
Land and improvements	\$ 3,540,000	\$ 3,540,000
Buildings and improvements	13,128,000	12,637,000
Equipment	11,154,000	10,284,000
	27,822,000	26,461,000
Less: Accumulated depreciation and amortization	(19,473,000)	(18,688,000)
Property and equipment, net	\$ 8,349,000	\$ 7,773,000

Property and equipment includes approximately \$10,304,000 and \$10,566,000 of fully depreciated assets, which remain in service during fiscal 2011 and 2010.

**NOTE 5 - ACCRUED EXPENSES**

Accrued expenses consist of the following:

	September 30,	
	2011	2010
Payroll and related accruals	\$ 1,509,000	\$ 1,556,000
Warranty and related accruals	727,000	709,000
Professional fees	181,000	175,000
Other	425,000	883,000
Accrued expenses	\$ 2,842,000	\$ 3,323,000

**Table of Contents****NOTE 6 - INCOME TAXES**

The provision for income tax benefit consists of:

	Year Ended September 30,	
	2011	2010
<b>Current:</b>		
Federal	\$ 87,000	\$ (614,000)
State	207,000	(2,000)
<b>Total current</b>	<b>294,000</b>	<b>(616,000)</b>
<b>Deferred</b>		
Federal	(1,328,000)	6,000
State	(1,724,000)	
<b>Total deferred</b>	<b>(3,052,000)</b>	<b>6,000</b>
<b>Income tax (benefit)</b>	<b>\$ (2,758,000)</b>	<b>\$ (610,000)</b>

A reconciliation of the federal statutory tax rate to the total tax provision is as follows:

	Year Ended September 30,	
	2011	2010
Federal income taxes computed at the statutory rate	34.0%	34.0%
State income taxes, net of federal benefit	(8.2%)	
Tax exempt interest income and unrealized gains/losses	20.3%	(16.7%)
Reversal of unrecognized tax benefits	68.0%	
Non-taxable stock transaction		(10.6%)
Benefit of federal refund		(33.7%)
Other, net	(5.3%)	1.1%
	108.8%	(25.9%)

Deferred tax assets and liabilities consist of the following:

	Year Ended September 30,	
	2011	2010
<b>Deferred Tax Assets:</b>		
Accrued liabilities and reserves	\$ 636,000	\$ 868,000
Allowance for doubtful accounts	217,000	672,000
Inventory	496,000	427,000
Net operating loss carry forward	498,000	
Unrealized loss on investments	1,413,000	
Other	28,000	28,000
<b>Gross Deferred Tax Assets</b>	<b>3,288,000</b>	<b>1,995,000</b>



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<b>Deferred and Other Tax Liabilities:</b>		
Unrealized gain on investments		(1,191,000)
Percentage of completion	(768,000)	(144,000)
Property, plant and equipment	(1,021,000)	(501,000)
Unrecognized tax benefits	(300,000)	(2,024,000)
Other	(12,000)	
<b>Gross Deferred and Other Tax Liabilities</b>	<b>(2,101,000)</b>	<b>(3,860,000)</b>
Net Deferred Income and Other Tax Assets (Liabilities)	\$ 1,187,000	\$ (1,865,000)

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Total income taxes paid in 2011 were \$226,000. There were no income taxes paid in 2010. The Company's net operating loss carry forward expires in 2030. The deferred tax asset of \$498,000 associated with the net operating loss carry forward is included in other long-term assets on the consolidated balance sheet at September 30, 2011.

Generally Accepted Accounting Principles ( GAAP ) prescribes a comprehensive model for the financial recognition, measurement, classification, and disclosure of uncertain tax positions. GAAP contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognitions by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, based on the technical merits of the position. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement.

Significant judgment is required in evaluating the Company's uncertain tax position and determining the Company's provision for taxes. Although the Company believes the reserves of unrecognized tax benefits ( UTB ) are reasonable, no assurance can be given that the final outcome of these matters will not be different from that which is reflected in the Company's historical income tax provision and accruals. The Company adjusts these reserves in light of changing facts and circumstances. As of September 30, 2011 and 2010 the Company had UTB of \$300,000 and \$2,024,000, respectively. The decrease in UTB in fiscal 2011 was the result of the conclusion of examinations by a state taxing authority. These amounts have been included in deferred and other income taxes in the accompanying consolidated balance sheets. There were no additional accruals of UTB during fiscal years ended September 30, 2011 and 2010.

The Company recognizes interest and penalties accrued related to UTB as a component of income tax expense. There were no additional accruals of interest expense nor penalties during fiscal years ended September 30, 2011 and 2010. It is reasonably possible that the amount of the UTB with respect to certain unrecognized tax positions will increase or decrease during the next 12 months. The Company does not expect the change to have a material effect on its results of operations or its financial position. The only expected potential reason for change would be the normal expiration of the statute of limitations or the ultimate results stemming from any examinations by taxing authorities. If recognized, the entire UTB would have an impact on the Company's effective tax rate.

The Company files U.S. federal income tax returns, as well as, income tax returns in various states. The Company's U.S. federal income tax returns and most state returns, filed for tax years prior to fiscal year ended September 30, 2008 are no longer subject to examination by taxing authorities due to the expiration of the statute of limitations.

### **NOTE 7 - RETIREMENT BENEFITS**

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 \$130,000 and \$132,000 to expense under the provisions of the plan during the fiscal years 2011 and 2010, respectively.

### **NOTE 8 - LONG-TERM DEBT**

The Company had a credit agreement with PNC Bank, N.A. which expired on April 30, 2010. The Company does not currently require a credit facility but continues to review and evaluate its needs and options for such a facility.

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The Company had no long term debt outstanding at September 30, 2011 or 2010. In March 2010, the Company replaced its outstanding letters of credit by funding \$975,000 in cash deposits at insurance companies to cover related collateral needs.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

**Leases**

The Company leases certain equipment under non-cancelable operating leases. Future minimum rental commitments under these leases at September 30, 2011 totaled \$97,000 and are due over the next four years.

Total rental expense for the fiscal years ended September 30, 2011 and 2010 was \$302,000 and \$274,000, 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 10 - 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.

In June 2010, the Company was the recipient of ninety-five thousand shares of Company common stock as a result of a settlement and release agreement on a lawsuit against certain Company shareholders. The lawsuit related to alleged short-swing profits arising from purchases and sales of Company common stock by the defendants to the suit. The parties to the suit entered into the agreement for the sole purpose of resolving contested claims and disputes and avoiding the substantial costs associated with litigating the claims and disputes. No wrongdoing or liability was admitted to by the defendants. In 2010, other non-operating income and treasury stock include \$738,000 related to the estimated fair value of the stock received. Fair value was determined to be the closing bid price of the common stock received as of the date of receipt. The treasury stock was retired during the first quarter of fiscal 2011.

**NOTE 11 - STOCK BASED COMPENSATION**

The Company maintains stock based compensation plans, which provide for the issuance of Company stock to certain directors, officers, key employees and affiliates.

On March 17, 2009 the stockholders of the Company approved the 2009 Incentive Compensation Plan (the "2009 Plan"). The 2009 Plan provides that the total number of shares of Company stock that may be subject to the granting of awards under the 2009 Plan ("Awards") at any time during the term of the 2009 Plan shall be equal to 800,000 shares of common stock and 160,000 shares of Class B stock. The foregoing limit shall be increased as provided for in the 2009 Plan. Persons eligible to receive Awards under the 2009 Plan include employees, directors, consultants and other persons who provide services to the Company. The 2009 Plan imposes individual limitations on the amount of certain Awards in part to comply with IRS Code Section 162(m). The Awards can be in the form of stock options, restricted and deferred stock, performance awards and other stock base awards as provided for in the 2009 Plan.

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On July 1, 2011, 298,000 common stock options were issued under the 2009 Plan to employees. These options vest at 25% per year starting on October 1, 2012 and each year thereafter through October 1, 2015. As long as the employee remains employed by the Company, these options will be exercisable upon vesting and remain exercisable through October 1, 2021. The Company used the Black-Scholes pricing model to estimate the fair value of the options of \$932,000 at time of grant. At September 30, 2011, \$885,000 of compensation expense remained to be expensed over the next three years. The following assumptions were used to determine the fair value of the stock options during the year ended September 30, 2011:

Risk-free interest rate	2.0%
Expected life of options	9.8 years
Dividend yield	0.0%
Volatility	34.2%

As of September 30, 2011, 502,000 shares of Company common stock and 160,000 shares of Class B stock are available for granting of awards under the 2009 Plan.

The following table summarizes option activity under the 2009 Plan:

	Number of Shares	Option Price Per Share
Options granted July 1, 2011	298,000	\$ 7.689
Options outstanding at September 30, 2011	298,000	\$ 7.689

There were no awards granted or outstanding under the 2009 Plan as of September 30, 2010. The weighted average remaining contractual life on the options outstanding as of September 30, 2011 under the 2009 Plan is 10 years.

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 1997 Plan, 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.

As of September 30, 2011, there were no options available for future grants under the 1997 Plan.

The following table summarizes option activity under the 1997 Plan:

	Number of Shares	Option Price Per Share
Outstanding at September 30, 2011 and 2010	27,500	\$ 9.32

The weighted average remaining contractual life on the options outstanding as of September 30, 2011 under the 1997 Plan is 5 years.

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**NOTE 12 - 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. New leases between the Company and Marcar generally provide for equal monthly payments over either thirty-six months or forty-eight months. During fiscal 2011 and 2010, the Company made lease payments to Marcar totaling \$179,000 and \$163,000, respectively.

**Table of Contents****Quarterly Financial Information (Unaudited)**

	Quarter Ended			
	<i>(in thousands except per share data)</i>			
	December 31	March 31	June 30	September 30
<b>2011</b>				
Net sales	\$ 7,785	\$ 16,727	\$ 23,015	\$ 12,165
Production costs	6,809	14,052	18,756	10,661
Gross profit	976	2,675	4,259	1,504
Production engineering and development	529	534	547	601
Selling, general and administrative	2,103	2,294	2,265	2,284
Income (loss) from operations	(1,656)	(153)	1,447	(1,381)
Other income (expense)	3,166	1,131	52	(5,140)
Income tax expense (benefit)	405	(1,472)	409	(2,100)
Net income (loss)	\$ 1,105	\$ 2,450	\$ 1,090	\$ (4,421)
Net income (loss) basic earnings (loss) per share	\$ 0.12	\$ 0.26	\$ 0.11	\$ (0.46)
Net income (loss) diluted earnings (loss) per share	\$ 0.12	\$ 0.26	\$ 0.11	\$ (0.46)
<b>2010</b>				
Net sales	\$ 11,070	\$ 24,042	\$ 12,684	\$ 7,791
Production costs	9,443	17,845	11,176	7,972
Gross profit (loss)	1,627	6,197	1,508	(181)
Production engineering and development	538	765	607	790
Selling, general and administrative	2,440	2,698	2,419	1,943
Income (loss) from operations	(1,351)	2,734	(1,518)	(2,914)
Other income (expense)	995	594	(609)	4,428
Income tax expense (benefit)	(132)	632	(551)	(559)
Net income (loss)	\$ (224)	\$ 2,696	\$ (1,576)	\$ 2,073
Net income (loss) basic earnings (loss) per share	\$ (0.02)	\$ 0.28	\$ (0.16)	\$ 0.22
Net income (loss) diluted earnings (loss) per share	\$ (0.02)	\$ 0.28	\$ (0.16)	\$ 0.22

The net income (loss) per share on a year-to-date calculation may not equal the total of the quarterly calculations due to rounding.

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

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**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

The Company's Chief Executive Officer and Acting 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 Acting 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, the Company's 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 the Company conducted an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b). Based on this evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2011.

**Management's Annual Report on Internal Control over Financial Reporting**

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

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) 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, 2011. 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 maintained effective internal control over financial reporting as of September 30, 2011.

*Changes in Internal Control over Financial Reporting*

The Company's management, including the Chief Executive Officer and Acting Chief Financial Officer, has reviewed the Company's internal control over financial reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2011 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**ITEM 9B. OTHER INFORMATION**

None

**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 2012 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 2012 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 2012 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 2012 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 2012 Proxy Statement for the Annual Meeting of Stockholders.



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**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., incorporated by reference Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended September 30, 2007	
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.	
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.	
10.1	The Company's 2009 Incentive Compensation Plan, as incorporated by reference to the Company's 2009 Proxy Statement filed with the Securities and Exchange Commission on Schedule 14A on January 28, 2009	
21.1	Subsidiaries of the Registrant	X
23.1	Consent of Independent Registered Public Accountants	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 Acting 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 Acting Chief Financial Officer Pursuant to 18 U. S. C. Section 1350.	X

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EXHIBIT

NUMBER	DESCRIPTION	FILED HEREWITH
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	
101.LAB	XBRL Taxonomy Extension Label Linkbase	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	

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**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 16, 2011

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 December 16, 2011  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

/s/ Marc G. Elliott  
Marc G. Elliott December 16, 2011  
President and Acting Chief Financial Officer  
(Principal Financial and Accounting Officer)

/s/ James P. Sharp  
James P. Sharp December 16, 2011  
Director

/s/ Cort J. Dondero  
Cort J. Dondero December 16, 2011  
Director

/s/ Randolph H. Fields  
Randolph H. Fields December 16, 2011  
Director

/s/ David A. Air  
David A. Air December 16, 2011  
Director

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**EXHIBITS FILED HEREWITH**

Exhibit	
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