

2021

ANNUAL REPORT

ONE COMPANY • ONE SOURCE • ONE SOLUTION



Message to Our Shareholders

Fiscal year 2021 brought on new challenges for our Company and the industry much like the previous year. Similar to most manufacturing companies, we navigated through labor constraints, supply chain delays, and material price inflation during the year. Market demand for Gencor's asphalt plants and equipment remained strong, represented by a significant year-over-year increase in backlog. The higher cost of materials and continued labor constraints, due to the lingering pandemic and tight overall labor market, were effectively managed in order to meet customer demand.

In November of 2021, we witnessed President Biden signing into law a much needed five-year \$1.2 trillion infrastructure bill, the "Infrastructure Investment and Jobs Act", providing \$550 billion in new spending and reauthorizing \$650 billion in previously allocated funds for highways, roads, and bridges. The increased guaranteed funding should prove fruitful in generating confidence for road building Contractors to make more long-term capital investments in equipment. We are optimistic that the new infrastructure bill will also provide a catalyst to stimulate states to accelerate many deferred road projects.

In the meantime, we continue to find ways to work with our suppliers on material availability and cost to mitigate the impact to our customers, while looking for ways to improve our manufacturing processes through investment in automation and technology. As always, we will keep an eye out for acquisition opportunities that will compliment our existing products, and core competencies.

While the economic landscape remains challenging for the near-term, with the continued loyalty and support of our employees, customers and shareholders we are confident in the long-term growth and profitability of Gencor.



Marc G. Elliott
President

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

FORM 10 – K

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

For the Fiscal Year Ended September 30, 2021

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

Commission File No. 001-11703

GENCOR INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

59-0933147
(I.R.S. Employer Identification No.)

5201 North Orange Blossom Trail
Orlando, Florida 32810
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (407) 290-6000

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

<u>Title of Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Exchange on which Registered</u>
Common Stock (\$.10 Par Value)	GENC	NASDAQ Global Market

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
[x] Yes [] No

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

Large Accelerated Filer	[]	Accelerated Filer	[]
Non-Accelerated Filer	[x]	Smaller Reporting Company	[x]
Emerging Growth Company	[]		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. []

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter: \$141,285,000.

Indicate the number of shares outstanding of each of the registrant’s classes of Common Stock, as of the latest practicable date. As of December 10, 2021:

Common Stock (\$.10 par value):	12,338,845 shares
Class B Stock (\$.10 par value):	2,318,857 shares

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K is incorporated by reference from the Registrant’s 2022 Proxy Statement for the Annual Meeting of the Stockholders.

Introductory Note: Caution Concerning Forward-Looking Statements

This Annual Report on Form 10-K (this “Annual Report”) and the Company’s other communications and statements may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including statements about the Company’s beliefs, plans, objectives, goals, expectations, estimates, projections and intentions. All forward-looking statements, by their nature, 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 Company’s actual future results may differ materially from those set forth in the Company’s forward-looking statements depending on a variety of important factors, including the financial condition of the Company’s customers, changes in the economic and competitive environments, demand for the Company’s products, the duration and scope of the coronavirus (“COVID-19”) pandemic, actions government entities and businesses take in response to the COVID-19 pandemic, including mandatory business closures; the impact of the pandemic and actions taken on regional economies; and the pace of recovery when the COVID-19 pandemic subsides. The words “may,” “could,” “should,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “target,” “goal,” and similar expressions are intended to identify forward-looking statements.

For information concerning these factors and related matters, see “Risk Factors” in Part I, Item 1A in this Annual Report, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 in this Annual 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 Annual 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,” “Gencor,” “we,” “us” or “our”) is a leading manufacturer of heavy machinery used in the production of highway construction equipment and materials and environmental control equipment. The Company’s products are manufactured in the United States and 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 equipment and materials. The Company’s principal core products include asphalt pavers, hot mix asphalt plants, combustion systems, and fluid heat transfer systems. The Company believes that its technical and design capabilities and environmentally friendly process technology have enabled it to become a leading producer of hot mix asphalt plants and related components in North America. The Company believes it has the largest installed base of asphalt plants in the United States.

Because the Company’s products are sold primarily to companies in the highway construction industry, its business has historically been seasonal. Traditionally, the Company’s customers do not purchase new equipment 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 asphalt plants and pavers are typically received between October and February, with a significant volume of shipments occurring prior to June. The principal factors driving demand for the Company’s products are the level of federal and state funding for domestic highway construction and repair, the replacement of existing plants, and a trend towards efficient, larger plants.

In 1968, the Company was formed by the merger of Mechtron Corporation with General Combustion, Inc. (“General Combustion”) 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. (“Beverley”) in the United Kingdom. Hy-Way Heat Company, Inc. (“Hy-Way Heat”) and the Bituma Group were acquired in 1986. In 1987, the Company changed its name to Gencor Industries, Inc. and acquired Davis Line Inc. and its subsidiaries in 1988.

In 1998, the Company entered into agreements with Carbontronics, LLC, 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. These derived significant cash flows from the sale of synthetic fuel and tax credits (Internal Revenue Code, Section 29) and, consequently, distributed significant cash to the Company from 2001 to 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. Gencor’s ownership in the two synthetic fuel entities ended in 2013.

On October 1, 2020, the Company acquired the Blaw-Knox assets from Volvo Construction Equipment North America, LLC (“Volvo CE”). The acquisition expanded the Company’s product offerings by adding highway class asphalt pavers to its asphalt plant and related equipment products.

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 first continuous process for asphalt

production. Gencor developed and patented the first counter flow drum mix 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 also manufactures a very comprehensive range of fully mobile batch plants.

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 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 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.

Asphalt Pavers. The Company manufactures asphalt pavers under the Blaw-Knox brand. The Blaw-Knox brand dates back over a century, when in 1917 Blaw Collapsible Steel Centering Company merged with the Knox Pressed and Welded Steel Company. Blaw-Knox made its first road paving equipment in 1929. Blaw-Knox pavers are the industry leading, highway class pavers that deliver outstanding reliability and produce the highest quality rideable surfaces in the industry. Projects paved with Blaw-Knox pavers continually win industry awards for the highest quality highway pavements.

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 friendly equipment.

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.

Sources of Supply and Manufacturing

Substantially all products and components sold by the Company and its subsidiaries are manufactured and assembled by the Company. The Company purchases steel, other raw materials and hardware used to manufacture its products from numerous suppliers. The Company may augment internal production by outsourcing some of its production when demand for its products exceeds its manufacturing capacity.

Seasonality

The Company is concentrated in the manufacturing of asphalt pavers, asphalt plants and related components, which is typically subject to a seasonal slow-down during the third and fourth quarters of the calendar year.

Competition

The markets for the Company's products are highly competitive. The industry remains fairly concentrated, with a small number of companies competing for the majority of the Company's product lines. The principal competitive factors include quality, price, delivery, availability, and technology. The Company believes it manufactures the highest quality and heaviest equipment in the industry. Its products' performance reliability, brand recognition, pricing, and after-the-sale technical support are other important factors.

Sales and Marketing

The Company's products and services are marketed primarily through Company-employed sales representatives and independent dealers.

Sales Backlog

The size of the Company's backlog should not be viewed as an indicator of the Company's quarterly or annualized revenues, due to the timing of order fulfillment of asphalt plants. The Company's backlog, which includes orders received through the date of this filing, was \$53.1 million and \$24.9 million as of December 1, 2021 and December 1, 2020, respectively.

Financial Information about Geographic Areas Reporting Segments

For a geographic breakdown of revenues and long-term assets, see Reporting Segments and Geographic Areas in Note 1 to the Consolidated Financial Statements.

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.

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 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, 2021, the Company had 380 full-time employees. The Company has a collective bargaining agreement covering employees at its Marquette, Iowa facility. No other employees are represented by a labor union or collective bargaining agreement.

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 Annual Report.

The Company makes available free of charge through its website at www.gencor.com the Company's Annual Reports 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 Exchange Act, 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 website is not incorporated into this Annual Report.

ITEM 1A RISK FACTORS

The following risk factors and other information included in this Annual Report 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 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 is affected by the cyclical nature of the markets it serves.

The demand for the Company's products is dependent on general economic conditions and more specifically, Federal and state funding for highways and roads. 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.

The business is affected by the level of government funding for highway construction in the United States and Canada.

Most highway contractors in the U.S. and Canada depend on funding by federal, provincial, state and local agencies for highway, transit and infrastructure programs. Future legislation may increase or decrease government spending, which, if decreased, could have a negative effect on the Company's financial condition or results of operations. Federal and/or state funding allocated to infrastructure may decrease in the future.

Previously, the Company depended on one customer for a significant portion of its revenue. The loss of any relationship with a large customer, or a significant downturn in the business or financial condition of any such customer, could have adverse consequences on the Company's future business.

No customer accounted for 10% or more of fiscal 2021 or 2020 revenues. If the Company had customers that accounted for a significant portion of its net revenues, then the loss of any of those customers, or a significant reduction in sales to any such customer, could adversely affect the Company's revenues and, consequently, its business.

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 SEC 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, 2021. See Item 9A – Controls and Procedures – Management's Annual Report on Internal Control over Financial Reporting. Although the Company concluded that its internal control over financial reporting was effective as of September 30, 2021, 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 be assured that, if required, its independent registered public accountants will attest that internal control over financial reporting is 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 where revenues are recognized over time.

Revenues from contracts with customers for the design, manufacture and sale of custom equipment are recognized over time when the performance obligation is satisfied by transferring control of the equipment. Control of the equipment transfers over time as the equipment is unique to the specific contract and thus does not create an asset with an alternative use. Revenues and costs are recognized in proportion to actual labor costs incurred, as compared with total

estimated labor costs expected to be incurred during the entire contract. 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 by accounting principles generally accepted in the United States of America (“GAAP”), the Company cannot assure that its estimated contract profit margins will not decrease or its estimated loss provisions will not increase materially in the future.

The Company may encounter difficulties with acquisitions.

As part of its growth strategy, the Company intends to evaluate the acquisition of other companies, assets or product lines that would complement or expand the Company’s existing business or broaden its customer base. 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.

The Company’s marketable securities are comprised of cash and money funds, equities, corporate bonds, mutual funds, exchange-traded funds, and government securities invested through professional investment management firms 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 contracts with customers for the design, manufacture and sale of custom equipment are recognized over time when the performance obligation is satisfied by transferring control of the equipment. Revenues from all other contracts for the design and manufacture of equipment, for service and for parts sales, net of any discounts and return allowances, are recorded at a point in time when control of the goods or services has been transferred. The Company’s asphalt production equipment operations are subject to seasonal fluctuations, which may lower revenues and result in possible quarterly operating losses.

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.

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 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 technologies, products or trademarks infringe upon the patents, technologies, products or trademarks of others, it is possible that the Company's trademarks or other rights may not be valid or that infringement of 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 its products.

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 Company is dependent upon third-party suppliers, making it vulnerable to supply shortages and price increases.

The principal raw material the Company uses is carbon steel which is sourced through numerous suppliers. The Company also uses select suppliers to provide proprietary components to its finished products. Although the Company believes that raw materials are available from alternate sources, an interruption in the supply of steel or related products or a substantial increase in the price of steel or related products could have a material adverse effect on the Company's production and its results of operations.

In addition, the cost of parts or materials may increase significantly for reasons other than changes in commodity prices. Factors such as supply and demand, freight costs, availability of transportation, availability of labor, inventory levels, the level of imports, the imposition of duties and tariffs and other trade barriers and general economic conditions may affect the price of our parts or materials. Market conditions could limit the Company's ability to raise selling prices to offset increases in material and/or labor costs.

In the future, we could experience some disruption in the supply of some of our parts or materials that we purchase from suppliers. Delays in obtaining parts or materials may result from a number of factors affecting our suppliers including capacity constraints, labor shortages or supplier product quality issues. These risks are increased in a weak economic environment or when demand increases coming out of an economic downturn. Such disruptions could result in

manufacturing inefficiencies caused by the Company having to wait for parts to arrive on production lines, could delay sales and could result in a material adverse effect on the Company's results of operations, financial condition, and/or cash flows.

The Company is subject to government regulations.

The Company is committed to responsible environmental, social and governance ("ESG") practices. The Company strives to be recognized as a company that achieves customer expectations safely and in a manner that rewards both its customers and its employees. The Company strives to achieve these goals through an organizational structure that provides excellent service and a reputation of integrity with the communities where it operates while providing its employees with growth opportunities in an injury-free environment.

The Company is subject to a variety of governmental regulations relating to the manufacturing of its products. Failure by the Company to comply with regulations could subject it to liabilities, or suspension of production that could have a material adverse effect on the Company's results. Such regulations could also restrict the Company's ability to expand its facilities, 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.

Increasing scrutiny and changing expectations from stakeholders with respect to the Company's ESG practices may expose us to new or additional risks.

Companies across many industries are facing increasing scrutiny from stakeholders related to their ESG practices. Investor advocacy groups, certain institutional investors, investment funds and other influential investors are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, investors' and stakeholders' increased focus related to stakeholder ESG expectations and standards, which are evolving, may cause the Company to suffer from reputational damage and its business or financial condition could be adversely affected.

The Company's management has effective voting control.

The Company's officers beneficially own 100% of the outstanding shares of the Company's Class B stock. The holders of the Class B stock are entitled to elect 75% (calculated to the nearest whole number, rounding five-tenths to next highest whole number) of the members of the Company's Board of Directors. Further, approval of a majority of the holders of the Class B stock is generally required to affect a sale of the Company and certain other corporate transactions. As a result, the Class B shareholders can elect more than a majority of the Board of Directors and exercise significant influence over most matters requiring approval by the Company's shareholders. 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 shareholders.

The Company's Certificate of Incorporation, as amended, authorizes the Company's Board of Directors, without shareholder 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 shareholders might believe to be in their best interest or in which the Company's common shareholders 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 officers' and directors' 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.

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 cash dividends for the foreseeable future.

The Company intends to retain its cash to fund its business requirements. It does not anticipate paying cash dividends on its common stock or Class B stock. Any future determination to pay cash dividends will be at the discretion of the Company's Board of Directors and will be dependent upon 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 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 a loss in market share.

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

The Company's quarterly 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 fluctuations in the market value of its securities portfolio;
- The introduction of new products by the Company or its competitors;
- Product supply shortages;
- Reduced demand due to adverse weather conditions;
- Expiration or renewal of Federal highway programs; and
- Changes to federal, state or Canadian provincial programs.

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

The Company's common 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;
- The announcement of new products or product enhancements by the Company or its competitors;
- Speculation in the press or analyst community of potential acquisitions by the Company; and
- General market conditions or market conditions specific to particular industries.

The Company's business, results of operations, financial condition, cash flows, and the stock price of its common stock could be adversely affected by the COVID-19 pandemic.

The Company's business, results of operations financial condition, cash flows, and the stock price of its common stock can be adversely affected by pandemics or other public health emergencies, such as the recent outbreak of COVID-19 and its variants. In March 2020, the WHO declared COVID-19 as a pandemic. The COVID-19 pandemic has resulted in governments around the world implementing increasingly stringent measures to help control the spread of the virus, including "stay at home" orders, travel restrictions, business curtailments, school closures, and other measures.

The outbreak of COVID-19 (including any variants) and any preventive or protective actions taken by governmental authorities may have a material adverse effect on the Company's operations, supply chain, customers, and transportation networks, including business shutdown or disruptions. The extent to which COVID-19 and its variants may adversely impact the Company's business depends on future developments, which are highly uncertain and unpredictable, depends upon the severity and duration of the outbreak and the effectiveness of actions taken globally to contain or mitigate its effect. Any resulting financial impact cannot be estimated reasonably at this time, but may materially adversely affect the Company's business, results of operations, financial condition, and cash flows. Even after the COVID-19 pandemic has subsided, the Company may experience materially adverse impacts to its business due to any resulting economic downturn. Additionally, concerns over the economic impact of COVID-19 and its variants have caused volatility in financial and other capital markets, which has and may continue to adversely impact the Company's stock price, its ability to access capital markets, and the value of its investment portfolio. To the extent the COVID-19 pandemic adversely affects the Company's business and financial results it may also have the effect of heightening many of the other risks described in this Annual Report, such as those relating to the Company's products and financial performance.

The Company may suffer adverse consequences if it is deemed an investment company under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Under Section 3(a)(1)(A) of the Investment Company Act, a company is deemed to be an investment company if it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or

trading in securities. The Company believes that it is not an investment company under Section 3(a)(1)(A) of the Investment Company Act because it does not hold itself out as being engaged primarily in the business of investing, reinvesting, or trading in securities. Rather, the Company has been a manufacturer of heavy equipment used in the production of asphalt for highway construction and environmental control equipment for over 50 years. The Company's core products include asphalt plants, combustion systems, and fluid heat transfer systems. The Company is expanding its product offerings through new product introductions and its 2020 acquisition of an asphalt paver product line.

Under Section 3(a)(1)(C) of the Investment Company Act, a company is deemed to be an investment company if it is engaged, or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. As reflected on the Company's balance sheet at September 30, 2021, the Company owns a significant amount of marketable securities, which include cash, cash equivalents, government and corporate bonds, mutual funds, exchange-traded funds and equities. Section 3(a)(2) defines the term "investment securities", as used in Section 3(a)(1)(C) to include all marketable securities except government securities and cash and cash equivalents. The value of the Company's investment securities exceeded 40% of the value of its total assets (excluding government securities and cash items) at September 30, 2021. Because of the value of its investment securities, the Company may be deemed an investment company. The Company believes that it is not an investment company under Section 3(a)(1)(C) of the Investment Company Act because it does not propose to engage in the business of investing, reinvesting, owning, holding, or trading in securities. In addition, if the Company was deemed an investment company under Section 3(a)(1)(C), it believes that it will qualify for an exemption from the definition of an investment company as it is primarily engaged in a business other than that of investing, reinvesting, owning, holding, or trading in securities. As noted above, the Company is primarily engaged in the manufacturing of heavy equipment. If the SEC or a court challenged the Company's status as an operating company, it could incur significant legal expenses.

If the Company was deemed to be, and was required to register as an investment company, the Company would be forced to comply with the legal requirements of the Investment Company Act that would regulate the manner in which the Company would be permitted to conduct its business activities. As an investment company, the Company would be (i) subjected to disclosure and accounting guidance geared toward investment, rather than operating, companies; (ii) significantly limited in its ability to borrow money, issue options, issue multiple classes of stock and debt, and engage in transactions with affiliates; and (iii) required to undertake significant costs and expenses to meet other disclosure, reporting, and regulatory requirements to which it would be subject as a registered investment company.

The Company faces risks with the acquisition of Blaw-Knox and any future acquisitions.

The Company acquired the Blaw-Knox assets on October 1, 2020. The success of this acquisition depends, in part, on the Company's ability to successfully grow the business and realize anticipated benefits, including any synergies. It may take longer than expected to realize growth in the business or realize anticipated benefits, which may be smaller than the Company expected. Also, there are a number of challenges and risks involved in the Company's ability to successfully integrate Blaw-Knox with its current business. Any of these factors could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

Acquiring businesses or products that expand and/or complement the Company's operations has been an element of its business strategy. The Company continues to evaluate potential acquisitions that may expand and/or complement its business. The Company may not be able to successfully identify attractive acquisition candidates or negotiate favorable terms in the future. Furthermore, the Company's ability to effectively integrate any future acquisitions will depend on, among other things, the adequacy of its implementation plans, the ability of its management to oversee and operate effectively the combined operations, and the Company's ability to achieve desired operational efficiencies. The Company's failure to successfully integrate the operations of any business that it may acquire in the future may adversely affect our business, financial position, results of operations, or cash flows.

There can be a shortage of skilled production workers, especially those with welding and/or fabricating capabilities. The Company could experience difficulty hiring or replacing those individuals, which could adversely affect its business.

Our fabrication process requires skilled production workers. If we are unable to retain and hire an adequate number of individuals with welding and fabrication capabilities, this could adversely impact our ability to achieve our financial objectives. In addition, if demand for skilled production workers were to significantly outstrip supply, wages for these workers could dramatically increase and could affect our financial performance.

ITEM 1B UNRESOLVED STAFF COMMENTS

None

ITEM 2 PROPERTIES

The following table lists the operating properties owned or leased by the Company as of September 30, 2021:

Location	Acreage	Building Square Footage	Principal Function
Marquette, Iowa	72.0	137,000	Owned offices and manufacturing - Gencor
Orlando, Florida	27.0	215,000	Owned corporate offices and manufacturing - Gencor
Chambersburg, Pennsylvania	7.4	101,500	Leased offices and manufacturing – Blaw-Knox

ITEM 3 LEGAL PROCEEDINGS

The Company has various litigation and claims, either as a plaintiff or defendant, pending as of the date of this Annual Report, 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 legal counsel, has made provisions, not deemed material, for any probable losses and expenses of litigation.

ITEM 4 MINE SAFETY DISCLOSURES

None

PART II

ITEM 5 MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company’s common stock is traded on the Nasdaq Global Market under the symbol “GENC.”

The Company has not issued any securities during the prior two years that were not already registered under the Exchange Act.

As of September 30, 2021, there were 189 holders of common stock of record and 6 holders of Class B stock of record. The Company has not paid cash dividends during the last two fiscal years and has no intention to pay cash dividends in the foreseeable future.

EQUITY COMPENSATION PLANS

The following table includes information about the Company’s common and Class B 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, 2021:

<u>Plan</u>	<u>Number of Securities to be Issued upon Exercise of Outstanding Options</u>	<u>Weighted-Average Exercise Price of Outstanding Options</u>	<u>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans</u>
2009 Incentive Compensation Plan	30,000	\$11.380	-

The 2009 Incentive Compensation Plan expired on October 1, 2021.

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

“Forward-Looking” Information

This Annual Report contains certain “forward-looking statements” within the meaning of 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 Annual 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 Annual Report. The Company does not undertake to update any forward-looking statements, except as required by law.

Overview

Gencor is a leading manufacturer of heavy machinery used in the production of highway construction equipment and materials and environmental control equipment. The Company’s core products include asphalt pavers, hot mix asphalt plants, combustion systems, fluid heat transfer systems and asphalt pavers. The Company’s products are manufactured at three 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 reduce their purchases of new equipment for shipment during the summer and fall months to avoid disrupting their peak season for highway construction and related 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 in the late winter and spring. 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, Canadian infrastructure spending, the need for spare parts, fluctuations in the price of liquid asphalt, and a trend towards larger more efficient asphalt plants.

On November 15, 2021, President Biden signed into law a five-year, \$1.2 trillion infrastructure bill, the Infrastructure Investment and Jobs Act (the “IIJ Act”), including \$550 billion in new spending and reauthorization of \$650 billion in previously allocated funds. The IIJ Act provides \$110 billion for the nation's highways, bridges and roads.

California’s Senate Bill 1 (“SB1”), the Road Repair and Accountability Act of 2017, was signed into law on April 28, 2017. The legislative package invests \$54 billion over the next decade to fix roads, freeways and bridges in communities across California and puts more dollars towards transit and safety. These funds will be allocated to state and local projects. Additionally, numerous other states have taken steps to increase their gas tax revenues in recent years.

Fluctuations in the price of carbon steel, which is a significant cost and material used in the manufacturing of the Company’s equipment, may affect the Company’s financial performance. The Company is subject to fluctuations in market prices for raw materials, such as steel. If the Company is unable to purchase materials it requires or is unable to pass on price increases to its customers or otherwise reduce its cost of goods sold, its business results of operations and financial condition may be adversely affected.

Also, a significant increase in the price of liquid asphalt could decrease demand for hot mix asphalt paving materials and certain of the Company's products. Increases in oil prices also drive up the cost of gasoline and diesel, which results in increased freight costs. Where possible, the Company will pass increased freight costs on to its customers. However, the Company may not be able to recapture all of the higher costs and thus could have a negative impact on the Company's financial performance.

The Company believes its strategy of continuing to invest in product engineering and development and its focus on delivering the highest quality products and superior service will strengthen the Company's market position. The Company continues to review its internal processes to identify inefficiencies and cost-reduction opportunities. The Company will continue to scrutinize its relationships with suppliers to ensure it is achieving the highest quality materials and services at the most competitive cost.

COVID-19 Pandemic

The Company continues to monitor and evaluate the risks to public health and the slowdown in overall business activity related to the novel coronavirus ("COVID-19") pandemic, including impacts on its employees, customers, suppliers and financial results. As of the date of issuance of this Annual Report, the Company's operations have not been significantly impacted. However, the full impact of the COVID-19 pandemic continues to evolve subsequent to the quarter and year ended September 30, 2021 and as of the date this Annual Report is issued. As such, the full magnitude that the COVID-19 pandemic will have on the Company's financial condition and future results of operations is uncertain. Management continues to monitor the Company's financial condition, operations, suppliers, industry, customers, and workforce. If the spread of COVID-19 and its variants continues, the Company's ability to meet customer demands for products may be impacted or its customers may experience adverse business consequences due to COVID-19 and its variants. Reduced demand for products or ability to meet customer demand (including as a result of disruptions at the Company's suppliers) could have a material adverse effect on its business operations and financial performance.

Results of Operations

Year ended September 30, 2021 compared with the year ended September 30, 2020

Net revenue for the year ended September 30, 2021 increased 10.1% to \$85.3 million from \$77.4 million for the year ended September 30, 2020. The increase in net revenue was due primarily to paver equipment and parts sales of approximately \$6.1 million for the year ended September 30, 2021, compared with no paver related revenues in fiscal 2020.

Net revenue for the fourth quarter of fiscal 2021 increased 91.7% to \$20.0 million compared to \$10.5 million for the quarter ended September 30, 2020. The increase in net revenues reflected improved orders from prior year in anticipation of the signing of a new highway bill to replace the FAST Act, which after two temporary extensions, would have expired on December 3, 2021. In addition, net revenue for the fourth quarter of fiscal 2021 includes \$2.2 million of paver equipment and parts sales compared with no paver related revenues in the fourth quarter of fiscal 2020.

Gross profit margins decreased to 21.3% in fiscal 2021 from 24.5% in fiscal 2020. The gross profit margins for the year ended September 30, 2021 were negatively impacted by approximately \$4.6 million of unabsorbed manufacturing labor and overhead expenses related to the paver line. In addition, increases in labor rates and steel and OEM parts prices contributed to the lower overall gross margins during the year ended September 30, 2021.

Product engineering and development ("PED") expenses in fiscal 2021 increased by \$1,217,000 to \$4,278,000 from \$3,061,000 in fiscal 2020 primarily due to engineering wages related to the paver line. Selling, general and administrative ("SG&A") expenses in fiscal 2021 increased \$2,843,000 to \$13,199,000 from \$10,356,000 in fiscal 2020. The higher SG&A expenses were primarily due to expenses related to the paver line and professional fees to support business development efforts.

Fiscal 2021 had operating income of \$701,000 versus \$5,536,000 in fiscal 2020. The decrease in operating income was due primarily to the operational and start-up costs related to the Blaw-Knox asset acquisition and professional fees to support business development efforts.

On October 1, 2020, the Company acquired the Blaw-Knox assets, including inventory, fixed assets and related intellectual property, from Volvo Construction Equipment North America, LLC (“Volvo CE”). The acquisition provided the Company entry into the asphalt paver sector of the asphalt industry. The acquisition was accounted for as a business combination under ASC 805, “Business Combinations.” The initial purchase price of approximately \$14.4 million, which was subject to post-closing adjustments, was funded by cash on hand. After post-closing adjustments transacted during quarter ended March 31, 2021, the final purchase price was \$13.8 million, including \$10.4 million in inventory and \$3.4 million in fixed assets. There were no liabilities assumed. The accompanying consolidated financial statements as of and for the year ended September 30, 2021, include the assets, liabilities and operating results of the paver line. There were no paver equipment revenues during the quarter ended December 31, 2020, as the facility was being readied for production which began in the quarter ended March 31, 2021.

As of September 30, 2021 and 2020, the cost basis of the investment portfolio was \$93.7 million and \$89.5 million, respectively. For the year ended September 30, 2021, interest and dividend income, net of fees, from the investment portfolio was \$1,306,000, as compared to \$2,321,000 for year ended September 30, 2020. Interest income for the year ended September 30, 2021, also included \$456,000 of interest collected from a customer. The higher interest income from the investment portfolio in fiscal 2020 reflects the impact from a larger investment in corporate bonds and a higher average yield to maturity. The fiscal 2021 corporate bonds were reduced as the related investments were partially liquidated to fund the Blaw-Knox acquisition. Net realized and unrealized gains on marketable securities were \$4,171,000 for the year ended September 30, 2021 versus net realized and unrealized losses of \$(1,160,000) for the year ended September 30, 2020. The fiscal 2020 investment losses reflect the decline in the domestic equity markets from the impact of the COVID-19 pandemic. The total cash, cash equivalents and investments balance at September 30, 2021 was \$118.2 million, compared to the September 30, 2020 cash, cash equivalents and investments balance of \$125.1 million, a decrease of \$6.9 million.

The effective income tax rate for fiscal 2021 was 12.5% versus 17.2% in fiscal 2020.

In fiscal 2021, the Company generated \$335,000 of federal research and development tax credits (“R&D Credits”), all of which were used in fiscal 2021. In fiscal 2020, the Company generated \$421,000 of R&D Credits, all of which were used in fiscal 2020. There were no R&D Credits carryforwards as of September 30, 2021 or September 30, 2020.

Net income for the year ended September 30, 2021 was \$5,805,000 or \$0.39 per diluted share versus net income of \$5,531,000 or \$0.38 per diluted share for the year ended September 30, 2020.

Liquidity and Capital Resources

The Company generates capital resources through operations and returns from its investments.

The Company had no long-term debt outstanding at September 30, 2021 or 2020. As of September 30, 2021, the Company has funded \$85,000 in cash deposits at insurance companies to cover collateral needs. In April 2020, a financial institution issued an irrevocable standby letter of credit (“letter of credit”) on behalf of the Company for the benefit of one of the Company’s insurance carriers. The maximum amount that can be drawn by the beneficiary under the letter of credit is \$150,000. The letter of credit expires in April 2022, unless terminated earlier, and can be extended, as provided by the agreement. The Company intends to renew the letter of credit for as long as the Company does business with the beneficiary insurance carrier. The letter is collateralized by restricted cash of the same amount on any outstanding drawings. To date, no amounts have been drawn under the letter of credit.

As of September 30, 2021, the Company had \$23.2 million in cash and cash equivalents, and \$95.0 million in marketable securities. The marketable securities are invested through a professional investment management firm. The securities may be liquidated at any time into cash and cash equivalents.

The Company's backlog, which includes orders received through the filing date of this Annual Report, was \$64.1 million at September 30, 2021 versus \$34.6 million at September 30, 2020. The Company's working capital was \$155.4 million at September 30, 2021 versus \$153.2 million at September 30, 2020.

The significant purchases, sales and maturities of marketable securities shown on the consolidated statements of cash flows typically reflect the frequent purchase and sale of United States treasury bills. In the fourth quarter of fiscal 2020, the Company liquidated approximately \$17.0 million of its investments. The cash was primarily used to fund the acquisition of the Blaw-Knox assets.

Year ended September 30, 2021 compared with the year ended September 30, 2020

Cash provided by operations in fiscal 2021 was \$3,820,000, primarily resulting from net income. The significant purchases, sales and maturities of marketable securities shown on the consolidated statements of cash flows reflect the recurring purchases and sales of United States treasury bills. The decrease in costs and estimated earnings in excess of billings of \$4.5 million reflects the completion and shipment of several large contracts with revenues recognized over time during the year ended September 30, 2021. Excluding the impact of the Blaw-Knox acquisition, inventories increased by \$4.4 million primarily due to progress on several large contract orders where revenue is recognized at a point in time and some stock build to compensate for the longer lead times from suppliers. Accounts payable increased by \$1.4 million due to the additional payables related to the Blaw-Knox business along with the increase in inventory. Customer deposits increased \$1.4 million, reflecting the down payments on contract jobs, including several recent orders where revenues are recognized over time but work is yet to begin.

Cash provided by operations in fiscal 2020 was \$26,774,000, primarily resulting from the sale of investment securities and net income. The decrease in costs and estimated earnings in excess of billings of \$7.4 million reflects the completion of customer contracts with revenues recognized over time that were open at the end of fiscal 2019 and the reduced number of such contracts open at the end of fiscal 2020. The increase in inventories of \$1.7 million reflects the progress on several contract jobs where revenues are recognized at a point in time. Customer deposits increased \$1.9 million, reflecting the down payments on these jobs.

Cash flows used in investing activities for the year ended September 30, 2021 of \$16,436,000 were related to the acquisition of the Blaw-Knox paver line and subsequent capital expenditures, primarily for systems software and leasehold improvements for the paver line's manufacturing facility. Cash provided by financing activities of \$264,000 for the year ended September 30, 2021, related to proceeds from the exercise of stock options.

Cash used in investing activities during the year ended September 30, 2020 of \$1,595,000 for the year ended September 30, 2020, related primarily to capital expenditures for manufacturing equipment. Cash provided by financing activities of \$103,000 in fiscal 2020 related to proceeds from the exercise of stock options.

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

The Company accounts for revenues and related expenses under the provisions of ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended (“ASU No. 2014-09”).

Revenues from contracts with customers for the design, manufacture and sale of custom equipment are recognized over time when the performance obligation is satisfied by transferring control of the equipment. Control of the equipment transfers over time as the equipment is unique to the specific contract and thus does not create an asset with an alternative use to the Company. Revenues and related costs are recognized in proportion to actual labor costs incurred, as compared with total estimated labor costs expected to be incurred during the entire contract. All incremental costs related to obtaining a contract are expensed as incurred as the amortization period is less than one year. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined.

Contract assets (excluding accounts receivable) under contracts with customers represent revenue recognized in excess of amounts billed on equipment sales recognized over time. These contract assets were \$1,903,000 and \$6,405,000 at September 30, 2021 and 2020, respectively, and are included in current assets as costs and estimated earnings in excess of billings on the Company’s consolidated balance sheets. The Company anticipates that all of the contract assets at September 30, 2021, will be billed and collected within one year.

Revenues from all other contracts for the design and manufacture of equipment, for service and for parts sales, net of any discounts and return allowances, are recorded at a point in time when control of the goods or services has been transferred. Control of the goods or service typically transfers at time of shipment or upon completion of the service.

Payment for equipment under contract with customers is typically due prior to shipment. Payment for services under contract with customers is due as services are completed. Accounts receivable related to contracts with customers at September 30, 2021 and September 30, 2020 were \$210,000 and \$223,000, respectively.

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

Under certain contracts with customers, recognition of a portion of the consideration received may be deferred and recorded as a contract liability if the Company has to satisfy a future obligation, such as to provide installation assistance. There were no contract liabilities other than customer deposits at September 30, 2021 and September 30, 2020. Customer deposits related to contracts with customers were \$5,244,000 and \$3,853,000 at September 30, 2021 and 2020, respectively, and are included in current liabilities on the Company’s consolidated balance sheets.

The Company records revenues earned for shipping and handling as freight revenue at the time of shipment, regardless of whether or not it is identified as a separate performance obligation. The cost of shipping and handling is classified as cost of goods sold concurrently.

Provisions for estimated returns and allowances and other adjustments are provided for in the same period the related sales are recorded. Returns and allowances, which reduce product revenue, are estimated using historical experience. 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.

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost being determined under the first-in, first-out (“FIFO”) method and net realizable value defined as the estimated selling price of goods less reasonable costs of completion and delivery (see Note 2 to Consolidated Financial Statements). 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 materials, 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, an allowance is established to reduce the cost basis of inventories three to four years old by 50%, the cost basis of inventories four to five years old by 75%, and the cost basis of inventories greater than five years old to zero. Inventory is typically reviewed for obsolescence on an annual basis computed as of September 30, 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.

Investments

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 consolidated income statements. Net unrealized gains and losses are reported in the consolidated income statements and represent the change in the fair value of investment holdings during the 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 fiscal 2021 have been significant relative to prior years. The Company monitors the prices it charges for its products and services on an ongoing basis and has been able to adjust its prices to take into account future changes in the rate of inflation.

Contractual Obligations

The Company had no long-term or short-term debt as of September 30, 2021 and there was no long-term debt facility in place at September 30, 2021.

In April 2020, a financial institution issued an irrevocable standby letter of credit (“letter of credit”) on behalf of the Company for the benefit of one of the Company’s insurance carriers. The maximum amount that can be drawn by the beneficiary under the letter of credit is \$150,000. The letter of credit expires in April 2022, unless terminated earlier, and can be extended, as provided by the agreement. The Company intends to renew the letter of credit for as long as the Company does business with the beneficiary insurance carrier. The letter is collateralized by restricted cash of the same amount on any outstanding drawings. To date, no amounts have been drawn under the letter of credit.

On August 28, 2020, the Company entered into a three year operating lease for property related to the manufacturing and warehousing of the Blaw-Knox paver business. The lease term is for the period September 1, 2020 through August 31, 2023. On October 9, 2020, the Company entered into an operating lease for additional warehousing space for paver inventory. The lease term is for one year beginning November 2020 with automatic one-year renewals.

Off-Balance Sheet Arrangements

None

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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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Gencor Industries, Inc. (the “Company”) as of September 30, 2021 and 2020, and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the years ended September 30, 2021 and 2020, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the years ended September 30, 2021 and 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Slow-moving and Obsolete Inventories

As disclosed in Note 1 of the notes to the Company’s consolidated financial statements, the Company records an estimated allowance for slow-moving and obsolete inventories to state the Company’s inventories at the lower of cost or net realizable value. The Company relies on, among other things, past usage, sales experience, recent order and quote

activity, possible alternative uses, future sales forecasts, and its strategic business plan to develop the estimate. As a result of management's assessment, the Company recorded an allowance for slow-moving and obsolete inventories of approximately \$5,397,000 as of September 30, 2021.

Auditing management's estimate of the allowance for slow-moving and obsolete inventories, including those acquired in a business combination, involved subjective evaluation and high degree of auditor judgement due to significant assumptions involved in estimating future inventory turnover and sales.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. We obtained an understanding of the design of internal controls that address the risks of material misstatement relating to recording inventory at the lower of cost or net realizable value. We tested the accuracy and completeness of the underlying data used in calculating the inventory allowance, including testing of a sample of inventory usage transactions, and recomputed the allowance calculation. We also evaluated the Company's ability to accurately estimate the assumptions used to develop the estimate by comparing historical allowance amounts to the history of actual inventory write-offs. Furthermore, we reviewed management's business plan and forecasts of future sales.

Revenue from Contracts with Customers where Revenue is Recognized over Time

As disclosed in Note 1 of the notes to the Company's consolidated financial statements, the Company recognizes revenues from contracts with customers for the design, manufacture and sale of custom equipment over time when the performance obligation is satisfied by transferring control of the equipment. Control of the equipment transfers over time, as the equipment is unique to the specific contract and thus does not create an asset with an alternative use to the Company. Revenues and costs are recognized in proportion to actual labor costs incurred, as compared with total estimated labor costs expected to be incurred, during the entire contract. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined. The Company recorded approximately \$24,093,000 in revenue from custom equipment sales contracts during the year ended September 30, 2021.

Auditing management's estimate of total estimated labor costs expected to be incurred for the entire contract with respect to incomplete contracts, and the percentage of completion on those contracts as of the end of the year involved subjective evaluation and high degree of auditor judgement due to significant assumptions involved in estimating total labor costs to complete.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. We obtained an understanding of the design of internal controls that address the risks of material misstatement relating to recording revenue from contracts with customers where revenue is recognized over time. We tested the accuracy and completeness of the underlying data used in calculating the percentage of completion on incomplete contracts, including review of contracts, change orders, and underlying labor and material costs, and recomputed the percentage of completion on individual contracts. We also evaluated the Company's ability to accurately estimate the assumptions used to develop the estimate by comparing historical cost estimates to actual costs on completed contracts.

We have served as the Company's auditor since 2001.

/s/ MSL, P.A.

MSL, P.A.

Certified Public Accountants

Orlando, Florida

December 17, 2021

Part I. Financial Information

GENCOR INDUSTRIES, INC. Consolidated Balance Sheets As of September 30, 2021 and 2020

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents	\$23,232,000	\$35,584,000
Marketable securities at fair value (cost of \$93,690,000 at September 30, 2021 and \$89,514,000 at September 30, 2020)	94,976,000	89,498,000
Accounts receivable, less allowance for doubtful accounts of \$321,000 at September 30, 2021 and \$442,000 at September 30, 2020	2,622,000	1,992,000
Costs and estimated earnings in excess of billings	1,903,000	6,405,000
Inventories, net	41,888,000	27,090,000
Prepaid expenses	2,202,000	1,189,000
Total current assets	166,823,000	161,758,000
Property and equipment, net	11,801,000	8,341,000
Other long-term assets	838,000	995,000
Total Assets	\$179,462,000	\$171,094,000
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$3,105,000	\$1,728,000
Customer deposits	5,244,000	3,853,000
Accrued expenses	2,645,000	2,605,000
Current operating lease liabilities	393,000	328,000
Total current liabilities	11,387,000	8,514,000
Deferred and other income taxes	394,000	746,000
Non-current operating lease liabilities	392,000	614,000
Total liabilities	12,173,000	9,874,000
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.10 per share; 300,000 shares authorized; none issued	-	-
Common stock, par value \$.10 per share; 15,000,000 shares authorized; 12,338,845 shares and 12,287,337 shares issued and outstanding at September 30, 2021 and 2020, respectively	1,234,000	1,229,000
Class B Stock, par value \$.10 per share; 6,000,000 shares authorized; 2,318,857 shares issued and outstanding at September 30, 2021 and 2020	232,000	232,000
Capital in excess of par value	12,590,000	12,331,000
Retained earnings	153,233,000	147,428,000
Total shareholders' equity	167,289,000	161,220,000
Total Liabilities and Shareholders' Equity	\$179,462,000	\$171,094,000

See accompanying Notes to Consolidated Financial Statements

GENCOR INDUSTRIES, INC.
Consolidated Income Statements
For the Years Ended September 30, 2021 and 2020

	2021	2020
Net revenue	\$85,278,000	\$77,420,000
Cost of goods sold	67,100,000	58,467,000
Gross profit	18,178,000	18,953,000
Operating expenses:		
Product engineering and development	4,278,000	3,061,000
Selling, general and administrative	13,199,000	10,356,000
Total operating expenses	17,477,000	13,417,000
Operating income	701,000	5,536,000
Other income (expense), net:		
Interest and dividend income, net of fees	1,762,000	2,321,000
Realized and unrealized gains (losses) on marketable securities, net	4,171,000	(1,160,000)
Other	-	(16,000)
	5,933,000	1,145,000
Income before income tax expense	6,634,000	6,681,000
Income tax expense	829,000	1,150,000
Net income	\$5,805,000	\$5,531,000
Basic earnings per common share	\$0.40	\$0.38
Diluted earnings per common share	\$0.39	\$0.38

See accompanying Notes to Consolidated Financial Statements

GENCOR INDUSTRIES, INC.
Consolidated Statements of Shareholders' Equity
For the Years Ended September 30, 2021 and 2020

	Common Stock		Class B Stock		Capital in Excess of Par Value	Retained Earnings	Total Shareholders' Equity
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
September 30, 2019	12,277,337	\$1,228,000	2,308,857	\$231,000	\$12,159,000	\$141,897,000	\$155,515,000
Net income	-	-	-	-	-	5,531,000	5,531,000
Stock-based compensation	-	-	-	-	71,000	-	71,000
Stock options exercised	10,000	1,000	10,000	1,000	101,000	-	103,000
September 30, 2020	12,287,337	\$1,229,000	2,318,857	\$232,000	\$12,331,000	\$147,428,000	\$161,220,000
Net income	-	-	-	-	-	5,805,000	5,805,000
Stock options exercised	51,508	5,000	-	-	259,000	-	264,000
September 30, 2021	12,338,845	\$1,234,000	2,318,857	\$232,000	\$12,590,000	\$153,233,000	\$167,289,000

See accompanying Notes to Consolidated Financial Statements

GENCOR INDUSTRIES, INC.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net income	\$5,805,000	\$5,531,000
Adjustments to reconcile net income to cash provided by operating activities:		
Purchase of marketable securities	(136,651,000)	(131,635,000)
Proceeds from sale and maturity of marketable securities	134,866,000	146,122,000
Change in value of marketable securities	(3,693,000)	1,337,000
Deferred and other income taxes	(451,000)	(2,626,000)
Depreciation and amortization	2,591,000	1,643,000
Provision for doubtful accounts	50,000	50,000
Stock-based compensation		71,000
Changes in assets and liabilities:		
Accounts receivable	(680,000)	(439,000)
Costs and estimated earnings in excess of billings	4,502,000	7,433,000
Inventories	(4,413,000)	(1,724,000)
Prepaid expenses	(1,013,000)	(690,000)
Accounts payable	1,377,000	(179,000)
Customer deposits	1,391,000	1,935,000
Accrued expenses	139,000	(55,000)
Total adjustments	(1,985,000)	21,243,000
Cash flows provided by operating activities	3,820,000	26,774,000
Cash flows used in investing activities:		
Acquisition of Blaw-Knox assets	(13,777,000)	-
Capital expenditures	(2,659,000)	(1,595,000)
Cash flows used in investing activities	(16,436,000)	(1,595,000)
Cash flows from financing activities:		
Proceeds from stock option exercises	264,000	103,000
Cash flows provided by financing activities	264,000	103,000
Net increase (decrease) in cash and cash equivalents	(12,352,000)	25,282,000
Cash and cash equivalents at:		
Beginning of year	35,584,000	10,302,000
End of year	\$23,232,000	\$35,584,000
Non-cash investing and financing activities:		
Operating lease right-of-use assets	\$248,000	\$942,000
Operating lease liabilities	\$248,000	\$942,000

See accompanying Notes to Consolidated Financial Statements

GENCOR INDUSTRIES, INC.
Notes to Consolidated Financial Statements
For the Years Ended September 30, 2021 and 2020

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 and environmental control machinery and equipment. The Company’s core products include asphalt plants, combustion systems, fluid heat transfer systems and asphalt pavers. The Company’s products are manufactured at three facilities in the United States.

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.

On October 1, 2020, the Company acquired the Blaw-Knox paver line and associated assets, including inventory, fixed assets and related intellectual property, from Volvo CE. The acquisition provided the Company entry into the asphalt paver sector of the asphalt industry. The acquisition was accounted for as a business combination under ASC 805, “Business Combinations.” The initial purchase price of approximately \$14.4 million, which was subject to post-closing adjustments, was funded by cash on hand. After post-closing adjustments transacted during quarter ended March 31, 2021, the final purchase price was \$13.8 million, including \$10.4 million in inventory and \$3.4 million in fixed assets. There were no liabilities assumed. The accompanying consolidated financial statements as of September 30, 2021, include the assets, liabilities and operating results of the paver line for the year then ended.

Accounting Pronouncements and Policies

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”). With adoption of this standard, lessees will have to recognize most leases as a right-of-use asset and a lease liability on their balance sheet. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are similar to those applied in current lease accounting. ASU 2016-02 must be applied on a modified retrospective basis and is effective for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company adopted ASU 2016-02 in the first quarter of fiscal 2020. The initial adoption of ASU 2016-02 did not have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement - Disclosure Framework* (Topic 820) (ASU 2018-13). The updated guidance improves the disclosure requirements on fair value measurements, including, among other things, addition of certain disclosures related to level 3 fair value measurements, and removal of disclosure requirements for (i) the amount and reasons for transfers between level 1 and level 2 of the fair value hierarchy, and (ii) policy and timing of transfers between fair value hierarchy levels. The updated guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted ASU 2018-13 for the quarter ended December 31, 2020. The application of this guidance did not have a material effect on our disclosures.

No other accounting pronouncements recently issued or newly effective 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

The consolidated financial statements include basic and diluted earnings per share (“EPS”) information. Basic EPS is based on the weighted-average number of shares outstanding. Diluted EPS is based on the sum of the weighted-average number of shares outstanding plus common stock equivalents.

The weighted-average shares issuable upon the exercise of stock options included in the diluted EPS calculation at September 30, 2021 were 236,000, which equates to 116,000 dilutive common stock equivalents. For the year ended September 30, 2020, the weighted-average shares issuable upon the exercise of stock options included in the diluted EPS calculation were 256,000, which equates to 125,000 dilutive common stock equivalents. Weighted-average shares issuable upon the exercise of stock options, which were not included in the diluted EPS calculation because they were anti-dilutive, were zero in 2021 and 7,000 in 2020.

The following presents the calculation of the basic and diluted EPS for the years ended September 30, 2021 and 2020:

	2021			2020		
	<u>Net Income</u>	<u>Shares</u>	<u>EPS</u>	<u>Net Income</u>	<u>Shares</u>	<u>EPS</u>
Basic EPS	\$5,805,000	14,614,000	\$0.40	\$5,531,000	14,595,000	\$0.38
Common stock equivalents		<u>116,000</u>			<u>125,000</u>	
Diluted EPS	\$5,805,000	<u>14,730,000</u>	\$0.39	\$5,531,000	<u>14,720,000</u>	\$0.38

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.

Marketable Securities and Fair Value Measurements

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 consolidated income statements. Net changes in unrealized gains and losses are reported in the consolidated income statements in the current 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 (stocks), mutual funds, exchange-traded funds, government securities, and cash and money funds, are substantially based on quoted market prices (Level 1). Corporate bonds are valued using market standard valuation methodologies, including: discounted cash flow methodologies, and 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 firms. From time to time the Company may transfer cash between its marketable securities portfolio and operating cash and cash equivalents.

The following table sets forth by level, within the fair value hierarchy, the Company's assets measured at fair value as of September 30, 2021:

	Fair Value Measurements			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$14,734,000	\$ -	\$ -	\$14,734,000
Mutual Funds	10,357,000	-	-	10,357,000
Exchange-Traded Funds	9,458,000	-	-	9,458,000
Corporate Bonds	-	24,853,000	-	24,853,000
Government Securities	30,999,000	-	-	30,999,000
Cash and Money Funds	4,575,000	-	-	4,575,000
Total	<u>\$70,123,000</u>	<u>\$24,853,000</u>	<u>\$ -</u>	<u>\$94,976,000</u>

Net unrealized gains reported during fiscal 2021 on trading securities still held as of September 30, 2021, were \$1,302,000. There were no transfers of investments between Level 1 and Level 2 during the year ended September 30, 2021.

The following table sets forth by level, within the fair value hierarchy, the Company's assets measured at fair value as of September 30, 2020:

	Fair Value Measurements			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$11,949,000	\$ -	\$ -	\$11,949,000
Mutual Funds	9,595,000	-	-	9,595,000
Exchange-Traded Funds	10,344,000	-	-	10,344,000
Corporate Bonds	-	27,877,000	-	27,877,000
Government Securities	16,147,000	-	-	16,147,000
Cash and Money Funds	13,586,000	-	-	13,586,000
Total	<u>\$61,621,000</u>	<u>\$27,877,000</u>	<u>\$ -</u>	<u>\$89,498,000</u>

Net unrealized losses reported during fiscal 2020 on trading securities still held as of September 30, 2020, were \$(1,091,000). There were no transfers of investments between Level 1 and Level 2 during the year ended September 30, 2020.

In the fourth quarter of fiscal 2020, the Company liquidated approximately \$17.0 million of its investments. The cash was primarily used to fund the acquisition of the Blaw-Knox assets, including inventory, fixed assets and related intellectual property, from Volvo CE.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, customer deposits and accrued expenses 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 and were not significant during the years ended September 30, 2021 and 2020.

Risk Management

Financial instruments that potentially subject the Company to concentrations of credit risk primarily consist of cash and cash equivalents, marketable securities, and accounts receivable. The Company maintains its cash accounts in various domestic financial institutions which may from time to time exceed federally insured limits. Operating cash is retained in overnight sweep accounts which allow for offsets to treasury service charges. The marketable securities include investments in cash and money funds, mutual funds, exchange traded funds ("ETF's"), corporate bonds,

government securities and stocks through professional investment management firms. Investment securities are exposed to various risks, such as interest rate, market and credit risks.

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 on parts sales to its customers based upon their credit-worthiness. Generally, the Company requires a significant up-front deposit before beginning manufacturing on complete asphalt plant and component orders, and requires full payment subject to hold-back provisions prior to shipment. 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 net realizable value, with cost being determined under the FIFO method and net realizable value defined as the estimated selling price of goods less reasonable costs of completion and delivery. 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, an allowance is established to reduce the cost basis of inventories three to four years old by 50%, the cost basis of inventories four to five years old by 75%, and the cost basis of inventories greater than five years old to zero. Inventory is typically reviewed for obsolescence on an annual basis computed as of September 30, 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.

Changes in the allowance for slow-moving and obsolete inventories are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 4,617,000	\$ 4,700,000
Charged to cost of sales	1,355,000	401,000
Disposal of inventory, net of recoveries	<u>(575,000)</u>	<u>(484,000)</u>
Balance, end of year	<u>\$5,397,000</u>	<u>\$ 4,617,000</u>

Property and Equipment

Property and equipment are stated at cost (see Note 4). Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

	<u>Years</u>
Land improvements	15
Buildings & 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 of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis. No such impairment losses were recorded during the years ended September 30, 2021 and 2020.

Revenues and Expenses

The Company accounts for revenues and related expenses under the provisions of ASU No. 2014-09.

The following table disaggregates the Company's net revenue by major source for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment sales recognized over time	\$24,093,000	\$35,579,000
Equipment sales recognized at a point in time	36,671,000	23,642,000
Parts and component sales	21,017,000	13,896,000
Freight revenue	3,497,000	3,983,000
Other	-	320,000
Net revenue	<u>\$85,278,000</u>	<u>\$77,420,000</u>

Revenues from contracts with customers for the design, manufacture and sale of custom equipment are recognized over time when the performance obligation is satisfied by transferring control of the equipment. Control of the equipment transfers over time, as the equipment is unique to the specific contract and thus does not create an asset with an alternative use to the Company. Revenues and costs are recognized in proportion to actual labor costs incurred, as compared with total estimated labor costs expected to be incurred, during the entire contract. All incremental costs related to obtaining a contract are expensed as incurred, as the amortization period is less than one year. Changes to total estimated contract costs or losses, if any, are recognized in the period in which they are determined.

Contract assets (excluding accounts receivable) under contracts with customers represent revenue recognized in excess of amounts billed on equipment sales recognized over time. These contract assets were \$1,903,000 and \$6,405,000 at September 30, 2021 and 2020, respectively, and are included in current assets as costs and estimated earnings in excess of billings on the Company's consolidated balance sheets. The Company anticipates that all of the contract assets at September 30, 2021, will be billed and collected within one year.

Revenues from all other contracts for the design and manufacture of equipment, for service and for parts sales, net of any discounts and return allowances, are recorded at a point in time when control of the goods or services has been transferred. Control of the goods or service typically transfers at time of shipment or upon completion of the service.

Payment for equipment under contract with customers is typically due prior to shipment. Payment for services under contract with customers is due as services are completed. Accounts receivable related to contracts with customers for equipment sales were \$210,000 and \$223,000 at September 30, 2021 and September 30, 2020, respectively.

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

Changes in the accrual for warranty and related costs are composed of the following:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 299,000	\$ 277,000
Warranties issued	280,000	375,000
Warranties settled	<u>(288,000)</u>	<u>(353,000)</u>
Balance, end of year	<u>291,000</u>	<u>\$ 299,000</u>

Provisions for estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. Returns and allowances, which reduce product revenue, are estimated using historical experience.

Under certain contracts with customers, recognition of a portion of the consideration received may be deferred and recorded as a contract liability if the Company has to satisfy a future obligation, such as to provide installation assistance. There were no contract liabilities other than customer deposits at September 30, 2021 and September 30,

2020. Customer deposits related to contracts with customers were \$5,244,000 and \$3,853,000 at September 30, 2021 and 2020, respectively, and are included in current liabilities on the Company's consolidated balance sheets.

The Company records revenues earned for shipping and handling as freight revenue at the time of shipment, regardless of whether or not it is identified as a separate performance obligation. The cost of shipping and handling is classified as production costs concurrently with the revenue recognition.

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 uncollectible. Any recoveries of account balances previously considered in the allowance for doubtful accounts reduce future additions to the allowance for doubtful accounts. The allowance for doubtful accounts also includes an estimate for returns and allowances. Provisions for estimated returns and allowances and other adjustments, are provided for in the same period the related sales are recorded. Returns and allowances, which reduce product revenue, are estimated using known issues and historical experience.

Changes in the allowance for doubtful accounts are composed of the following:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 442,000	\$ 459,000
Provision for doubtful accounts	50,000	50,000
Provision for estimated returns and allowances	175,000	205,000
Uncollectible accounts written off	(60,000)	(5,000)
Returns and allowances issued	<u>(286,000)</u>	<u>(267,000)</u>
Balance, end of year	<u>\$321,000</u>	<u>\$442,000</u>

Shipping and Handling Costs

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

Income Taxes

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

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns using current tax rates. The Company and its domestic subsidiaries file a consolidated federal income tax return.

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, the Company is more likely than not to realize the benefit of a deferred tax asset and whether 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, 2021 and 2020.

The Company's income tax provision is based on management's estimate of the effective tax rate for the full year. The tax provision in any period will be affected by, among other things, permanent, as well as temporary differences in the deductibility of certain items, in addition to changes in tax legislation. As a result, the Company may experience significant fluctuations in the effective book tax rate (that is, its tax expense divided by pre-tax book income) from

period to period. The Company's effective tax rates for fiscal 2021 and 2020 reflect the impact of the reduced rates under the U.S. Tax Cuts and Jobs Act (the "Tax Reform Act") which was signed into law on December 22, 2017.

Comprehensive Income

For the years ended September 30, 2021 and 2020, other comprehensive income is equal to net income.

Reporting Segments and Geographic Areas

The Company has one reporting segment, equipment for the highway construction industry. Based on evaluation of the criteria of ASC 280 – Segment Reporting, including the nature of products and services, the nature of the production processes, the type of customers and the methods used to distribute products and services, the Company determined that its operating segments meet the requirements for aggregation. The Company designs, manufactures and sells asphalt plants and pavers, combustion systems and fluid heat transfer systems, for the highway construction industry and environmental and petrochemical markets. The Company's products are manufactured at three facilities in the United States. The Company also services and sells spare parts for its equipment.

For fiscal 2021 and 2020, total revenues of \$85,278,000 and \$77,420,000, and total long-term assets of \$12,639,000 and \$9,336,000, respectively, were attributed to the United States. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Customers with 10% (or greater) of Net Revenues

No customer accounted for 10% or more of fiscal 2021 or 2020 net revenues.

Subsequent Events

Management has evaluated events occurring from September 30, 2021 through the date these consolidated financial statements were filed with the Securities and Exchange Commission for proper recording and disclosure herein.

On November 1, 2021, by unanimous vote of the Board of Directors of the Company and pursuant to the Company's By-Laws, John E. Elliott was removed as CEO of the Company. As a result, the 30,000 fully vested, outstanding Class B stock options issued under the 2009 Plan (see Note 11 – Shareholders' Equity and Stock-Based Compensation) were cancelled. The impact of the exclusion of these outstanding stock options on the earnings per share calculation for the year ended September 30, 2021, would have been immaterial.

NOTE 2 – INVENTORIES

Inventories are valued at the lower of cost or net realizable value.

Net inventories consist of the following:

	September 30,	
	<u>2021</u>	<u>2020</u>
Raw materials	\$25,858,000	\$ 14,607,000
Work in process	6,280,000	3,633,000
Finished goods	9,730,000	8,810,000
Used equipment	20,000	40,000
Inventories, net	<u>\$41,888,000</u>	<u>\$ 27,090,000</u>

Slow-moving and obsolete inventory reserves were \$5,397,000 and \$4,617,000 at September 30, 2021 and 2020, respectively.

NOTE 3 - COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS

Costs and estimated earnings in excess of billings on uncompleted contracts as of September 30, 2021 and 2020 consisted of the following:

	September 30,	
	<u>2021</u>	<u>2020</u>
Costs incurred on uncompleted contracts	\$11,483,000	\$ 10,390,000
Estimated earnings	4,395,000	4,680,000
	<u>15,878,000</u>	<u>15,070,000</u>
Billings to date	13,975,000	8,665,000
Costs and estimated earnings in excess of billings	<u>\$1,903,000</u>	<u>\$ 6,405,000</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2021 and 2020:

	September 30,	
	<u>2021</u>	<u>2020</u>
Land and improvements	\$3,329,000	\$ 3,323,000
Buildings and improvements	13,830,000	13,547,000
Equipment	<u>21,765,000</u>	<u>16,305,000</u>
	38,924,000	33,175,000
Less: Accumulated depreciation and amortization	<u>(27,123,000)</u>	<u>(24,834,000)</u>
Property and equipment, net	<u>\$11,801,000</u>	<u>\$ 8,341,000</u>

Property and equipment includes approximately \$19,374,000 and \$14,300,000 of fully depreciated assets, which remained in service during fiscal 2021 and 2020, respectively.

NOTE 5 - ACCRUED EXPENSES

Accrued expenses consist of the following as of September 30, 2021 and 2020:

	September 30,	
	<u>2021</u>	<u>2020</u>
Payroll and related accruals	\$ 1,735,000	\$ 1,608,000
Warranty and related accruals	291,000	299,000
Property tax accruals	223,000	180,000
Income tax accruals	224,000	225,000
Professional fees	105,000	247,000
Other	<u>67,000</u>	<u>46,000</u>
Accrued expenses	<u>\$2,645,000</u>	<u>\$ 2,605,000</u>

NOTE 6 - INCOME TAXES

The provision for income tax expense consists of:

	Year Ended September 30,	
	2021	2020
Current:		
Federal	\$992,000	\$3,430,000
State	189,000	346,000
Total current	<u>1,181,000</u>	<u>3,776,000</u>
Deferred:		
Federal	(269,000)	(2,436,000)
State	(83,000)	(190,000)
Total deferred	<u>(352,000)</u>	<u>(2,626,000)</u>
Income tax expense	<u>\$829,000</u>	<u>\$1,150,000</u>

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

	Year Ended September 30,	
	2021	2020
Federal income taxes computed at the statutory rate	21.0%	21.0%
State income taxes, net of federal benefit	1.6%	1.3%
Research & development tax refunds & credits	(5.1%)	(6.3%)
Dividend received deduction	(1.9%)	(1.2%)
Other, net	(3.1%)	2.4%
Effective income tax rate	<u>12.5%</u>	<u>17.2%</u>

Deferred income tax assets and liabilities consist of the following:

	September 30,	
	2021	2020
Deferred Tax Assets:		
Accrued liabilities and reserves	\$276,000	\$340,000
Allowance for doubtful accounts	72,000	98,000
Inventory	1,783,000	369,000
Stock-based compensation	79,000	81,000
Net operating losses carryforwards	20,000	5,000
Gross Deferred Income Tax Assets	<u>2,230,000</u>	<u>893,000</u>
Deferred and Other Tax Liabilities:		
Domestic international sales corporation	(236,000)	(329,000)
Property and equipment	(1,943,000)	(1,158,000)
Unrealized gain on investments	(295,000)	(2,000)
Unrecognized tax benefits	(150,000)	(150,000)
Gross Deferred and Other Income Tax Liabilities	<u>(2,624,000)</u>	<u>(1,639,000)</u>
Net Deferred and Other Income Tax Assets (Liabilities)	<u>\$(394,000)</u>	<u>\$ (746,000)</u>

Total income taxes paid in fiscal 2021 and 2020 were \$1,963,000 and \$3,850,000, respectively. The fiscal 2020 income taxes paid includes \$2,050,000 of tax payments due on the filing of the Company's Form 3115 with the Internal

Revenue Service to reflect the revenue recognition method change to the percentage of completion method for tax purposes pursuant to Internal Revenue Code Sections 460 and 451(b).

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 recognition 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's") 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, 2021 and 2020, the Company had UTB's of \$150,000. There were no additional accruals of UTB's during fiscal years ended September 30, 2021 and 2020.

The Company recognizes interest and penalties accrued related to UTB's as a component of income tax expense. There were no additional accruals of interest expense nor penalties of significance during fiscal years ended September 30, 2021 and 2020. It is reasonably possible that the amount of the UTB's 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 ultimate results stemming from any examinations by taxing authorities. If recognized, the entire amount of UTB's would have an impact on the Company's effective income tax rate.

The effective income tax rate for fiscal 2021 was 12.5% versus 17.2% in fiscal 2020.

In fiscal 2021, the Company generated \$335,000 of federal research and development tax credits ("R&D Credits"), all of which were used in fiscal 2021. In fiscal 2020, the Company generated \$421,000 of R&D Credits, all of which were used in fiscal 2020. There were no R&D Credits carryforwards as of September 30, 2021 or September 30, 2020.

The Company files U.S. federal income tax returns, as well as Florida and Iowa income tax returns. The Company's U.S. federal income tax returns filed for tax years prior to fiscal year ended September 30, 2018 are generally 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 \$365,000 and \$290,000 to expense under the provisions of the plan during the years ended September 30, 2021 and 2020, respectively.

NOTE 8 - LONG-TERM DEBT AND ARRANGEMENTS WITH FINANCIAL INSTITUTIONS

The Company had no long-term debt outstanding at September 30, 2021 or 2020. The Company does not currently require a credit facility.

As of September 30, 2021, total cash deposits with insurance companies covering collateral needs were \$85,000. In April 2020, a financial institution issued an irrevocable standby letter of credit ("letter of credit") on behalf of the Company for the benefit of one of the Company's insurance carriers. The maximum amount that can be drawn by the beneficiary under the letter of credit is \$150,000. The letter of credit expires in April 2022, unless terminated earlier, and can be extended, as provided by the agreement. The Company intends to renew the letter of credit for as long as the Company does business with the beneficiary insurance carrier. The letter is collateralized by restricted cash of the same amount on any outstanding drawings. To date, no amounts have been drawn under the letter of credit.

NOTE 9 - LEASES

The Company leases certain equipment under non-cancelable operating leases. Future minimum rental payments under these leases at September 30, 2021 are immaterial. Total rental expense for the fiscal years ended September 30, 2021 and 2020 was \$78,000 and \$37,000, respectively.

On August 28, 2020, the Company entered into a three-year operating lease for property related to the manufacturing and warehousing of the Blaw-Knox assets. The lease term is for the period beginning on September 1, 2020 through August 31, 2023. In accordance with ASU 2016-02, the Company recorded a ROU asset totaling \$970,000 and related lease liabilities at inception. On October 9, 2020, the Company entered into an operating lease for additional warehousing space for paver inventory. The lease term is for one year beginning November 2020 with automatic one-year renewals. In accordance with ASU 2016-02, the Company recorded a ROU asset totaling \$254,000 and related lease liabilities at inception.

For the year ended September 30, 2021, operating lease costs were \$440,000 and cash payments related to these operating leases were \$468,000. For the year ended September 30, 2020, operating lease cost was \$28,000 which was accrued at September 30, 2020 and paid in October 2020. There were no cash payments related to this operating lease in fiscal 2020.

Other information concerning the Company's operating lease accounted for under ASC 842 guidelines as of September 30, 2021 and September 30, 2020, is as follows:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Operating lease ROU asset included in other long-term assets	\$785,000	\$942,000
Current operating lease liability	393,000	328,000
Non-current operating lease liability	392,000	614,000
Weighted average remaining lease term (in years)	2.00	2.92
Weighted average discount rate used in calculating ROU asset	4.0%	4.0%

Future annual minimum lease payments as of September 30, 2021 are as follows:

<u>Fiscal Year</u>	<u>Annual Lease Payments</u>
2022	\$417,000
2023	394,000
2024	6,000
Total	<u>817,000</u>
Less interest	<u>(32,000)</u>
Present value of lease liabilities	<u>\$785,000</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in legal proceedings arising out of the normal course of business, none of which we believe will have a material adverse effect on our business, financial condition or results of operations. Claims made in the ordinary course of business may be covered in whole or in part by insurance.

COVID-19 Pandemic

The Company continues to monitor and evaluate the risks to public health and the slowdown in overall business activity related to the novel coronavirus ("COVID-19") pandemic, including impacts on its employees, customers, suppliers and financial results. As of the date of issuance of these Consolidated Financial Statements, the Company's operations have not been significantly impacted. However, the full impact of the COVID-19 pandemic continues to evolve subsequent to the quarter and year ended September 30, 2021 and as of the date these Consolidated Financial Statements are issued. As such, the full magnitude that the COVID-19 pandemic will have on the Company's financial condition and future results of operations is uncertain. Management continues to monitor the Company's financial condition, operations, suppliers, industry, customers, and workforce. If the spread of COVID-19 continues, the

Company's ability to meet customer demands for products may be impacted or its customers may experience adverse business consequences due to COVID-19. Reduced demand for products or ability to meet customer demand (including as a result of disruptions at the Company's suppliers) could have a material adverse effect on its business operations and financial performance.

NOTE 11 – SHAREHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Shareholders' Equity

Under the Company's Certificate of Incorporation, as amended, 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, holders of Class B stock will be entitled to elect approximately 75% of the Company's Board of Directors. During the period when shares of 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.

Stock-Based Compensation

On March 17, 2009, the shareholders of the Company approved the 2009 Incentive Compensation Plan (the "2009 Plan"). As of September 30, 2021 and 2020, all outstanding common stock options issued under the 2009 Plan were fully vested. All remaining unexercised, outstanding common stock options issued under the 2009 Plan expired as of September 30, 2021.

As of September 30, 2021 and 2020, 45,000 outstanding Class B stock options issued under the 2009 Plan were fully vested. These options expired as of September 30, 2021. In addition, 30,000 outstanding Class B stock options issued under the 2009 Plan were fully vested at September 30, 2021, and remain exercisable through September 26, 2026 as long as the employee remains employed by the Company (however, refer to *Subsequent Events* under Note 1 – Nature of Operations and Summary of Significant Accounting Policies).

As of September 30, 2021, no options were available for granting of Awards under the 2009 Plan.

The following table summarizes option activity under the 2009 Plan:

	<u>Number of Shares</u>	<u>Average Exercise Price Per Share</u>
Options outstanding at September 30, 2019	272,492	\$6.126
Options exercised during fiscal 2020	<u>(20,000)</u>	\$5.126
Options outstanding at September 30, 2020	252,492	\$6.205
Options exercised during fiscal 2021	(51,508)	\$5.126
Options expired on September 30, 2021	<u>(170,984)</u>	\$5.623
Options outstanding at September 30, 2021	<u>30,000</u>	\$11.380

No options were granted, forfeited or cancelled during the years ended September 30, 2021 or September 30, 2020. The weighted average remaining contractual life on the options outstanding as of September 30, 2021 is 5.0 years under the 2009 Plan (however, refer to *Subsequent Events* under Note 1 – Nature of Operations and Summary of Significant Accounting Policies).

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's President and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report. Based upon that evaluation, the President and the Chief Financial Officer concluded that, as of the end of the period covered by this Annual 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 Annual Report, the Company conducted an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief 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 President and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2021.

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 SEC 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, 2021. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework (2013) 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, 2021.

Changes in Internal Control over Financial Reporting

The Company's management, including the President and 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 year ended September 30, 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 Proxy Statement for the 2022 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 Proxy Statement for the 2022 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 Proxy Statement for the 2022 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 Proxy Statement for the 2022 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 Proxy Statement for the 2022 Annual Meeting of Stockholders.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>	<u>FILED HEREWITH</u>
3.1	Restated Certificate of Incorporation of Company, incorporated by reference to Exhibit 3.1 to Registration No. 33-627(P)	
3.2	Amended and Restated By-Laws of Gencor Industries, Inc., incorporated by reference to 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(P)	
4.1	Form of Common Stock certificate, incorporated by reference to Exhibit 4.1 to Registration No. 33-627(P)	
4.2	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934, as amended	X
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	
10.2	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(P)	
10.3	1997 Stock Option Plan incorporated by reference to Exhibit A to the Company’s Proxy Statement on 14A, filed March 3, 1997	
10.4	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, 2005	
21.1	Subsidiaries of the Registrant	X
23.1	Consent of Independent Registered Public Accountants	X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934, as amended	X
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a – 14(a) of the Securities Exchange Act of 1934, as amended	X

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>	<u>FILED HEREWITH</u>
32.1	Certifications of Principal Executive Officer and Chief Financial Officer Pursuant to 18 U. S. C. Section 1350	X

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>	<u>FILED HEREWITH</u>
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X

ITEM 16 FORM 10-K SUMMARY

None

SIGNATURES

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

Dated: December 17, 2021

GENCOR INDUSTRIES, INC.
(Registrant)

/s/ Marc G. Elliott
Marc G. Elliott
President & Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual 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 17, 2021
Chairman

/s/ Marc G. Elliott
Marc G. Elliott December 17, 2021
President & Director
(Principal Executive Officer)

/s/ Eric E Mellen
Eric E. Mellen December 17, 2021
Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ General John G. Coburn
Gen. John G. Coburn December 17, 2021
Director

/s/ Walter A. Ketcham
Walter A. Ketcham December 17, 2021
Director

/s/ Thomas A. Vecchiolla
Thomas A. Vecchiolla December 17, 2021
Director

**DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

The following is a summary of all material characteristics of the capital stock of Gencor Industries, Inc., a Delaware corporation (“Gencor,” the “Company,” “we,” “us,” or “our”), as set forth in our Certificate of Incorporation, as amended (our “Certificate of Incorporation”) and our Amended and Restated By-laws, (our “Bylaws”), and as registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The summary does not purport to be complete and is qualified in its entirety by reference to our Certificate of Incorporation and our Bylaws, each of which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part and to the provisions of the Delaware General Corporate Law (the “DGCL”). Refer to complete copies of our Certificate of Incorporation and our Bylaws, and the applicable provisions of the DGCL for additional information.

General

Our authorized capital stock consists of 15,000,000 shares of Common Stock, par value \$0.10 per share (our “Common Stock”), 12,338,845 shares of which were issued and outstanding as of September 30, 2021; 6,000,000 shares of Class B Stock, par value \$0.10 per share (our “Class B Stock”), 2,318,857 shares of which were issued and outstanding as of September 30, 2021; and 300,000 shares of Preferred Stock, par value \$0.10 per share (our “Preferred Stock”), none of which were issued and outstanding as of September 30, 2020. Under our Certificate of Incorporation, our board of directors (our “Board”) has the authority to issue such shares of our Common Stock and our Preferred Stock in one or more classes or series, with such voting powers, designations, preferences and relative, participating, optional or other special rights, if any, and such qualifications, limitations or restrictions thereof, if any, as shall be provided for in a resolution or resolutions adopted by our Board and filed as designations.

Rights of our Common Stock and our Class B Stock

Voting Rights

Each share of our Class B Stock entitles the holder thereof to one vote on all matters submitted to stockholders, except that holders of our Common Stock have the right, voting as a class, to elect approximately 25 percent of our Board and the holders of our Class B Stock have the right, voting as a class, to elect approximately 75 percent of our Board. Where adjustment is required, the holders of our Class B Stock are entitled to elect 75 percent of our Board calculated to the nearest whole number rounding any fractional number of five-tenths or more to the next highest whole number, and the holders of our Common Stock will be entitled to elect the balance of the directors.

Our Certificate of Incorporation provides that holders of our Common Stock and our Class B Stock, each such class voting separately as a class, shall be required on:

- (i) any merger or consolidation of the Company with or into any other corporation; or any sale, lease, exchange, or other disposition of all or substantially all of our assets to or with any other person except where such merger or transaction is with a majority-owned subsidiary of ours; or any dissolution of us;
- (ii) any additional issuance of shares of our Class B Stock other than in connection with stock splits and stock dividends on shares of our Class B Stock or the exercise of stock options by holders of our Class B Stock;
- (iii) any modification, alteration or amendment to our Certificate of Incorporation; and
- (iv) any other matters requiring a separate vote by classes provided for under the DGCL.

Any action that can be taken at a meeting of the stockholders may be taken by written consent in lieu of the meeting if we receive consents signed by stockholders having the minimum number of votes that would be necessary to approve the action at a meeting at which all shares entitled to vote on the matter were present.

Dividends and Distributions (Including Distributions upon Liquidation)

Holders of our Common Stock and our Class B Stock are entitled to receive cash dividends at the same rate if and when declared by our Board out of funds legally available therefor, subject to the dividend and liquidation rights of any Preferred Stock that may be issued and outstanding. With respect to distributions other than cash dividends, all other distributions, including stock dividends and all other distributions and rights including distributions upon liquidation, our Common Stock and our Class B Stock will rank equally and have the same rights, except that stock dividends and stock splits of our Common Stock and our Class B Stock will be payable or made to the holders of each such class only in the shares of such class.

Restrictions on Transfers of our Class B Stock (Conversion of our Class B Stock into our Common Stock)

As more fully described below, our Class B Stock is not transferable as our Class B Stock except to certain eligible transferees including such holder's spouse, certain of such holder's relatives, certain trusts established for their benefit, corporations and partnerships principally owned by such holders, their relatives and such trusts, charitable organizations and such holder's estate. Accordingly, there is no trading market for shares of our Class B Stock. Other than pursuant to conversions into shares of our Common Stock as described below, the holder of shares of our Class B Stock may transfer such shares (whether by sale, assignment, gift, bequest, appointment, or otherwise) only to a permitted transferee (a "Permitted Transferee") defined generally as follows:

- (i) The spouse of the holder of such Class B Stock;
- (ii) Any lineal descendant of a grandparent of such holder of our Class B Stock, including adopted children, and any spouse of such lineal descendant (said descendants, together with such stockholder and such stockholder's spouse, being hereinafter referred to as "such Class B Stockholder's Family Members");
- (iii) A trust principally for the benefit of such Class B Stockholder's Family Members and charitable organizations;
- (iv) Any charitable organization;
- (v) A partnership or corporation, a majority of the beneficial ownership of which is owned by such holder of Class B Stock and/or one or more of his or her Permitted Transferees; and
- (vi) The estate of such holder of our Class B Stock.

Shares of our Class B Stock held by a partnership or corporation may be transferred to a person who transferred such shares to such partnership or corporation (and to such person's Permitted Transferees). Shares of our Class B Stock may, upon certain circumstances, also be transferred by a corporation or by a partnership to its successor. Shares held by trusts which are irrevocable at the time of issuance of our Class B Stock may be transferred to any person to whom or for whose benefit principal may be distributed under the terms of the trust and such person's Permitted Transferees. Shares held by all other trusts may be transferred to the person who established such trust and such person's Permitted Transferees. Shares held by estates of Class B stockholders may be transferred to Permitted Transferees of such Class B shareholders.

Any transfer of shares of our Class B Stock not permitted under our Certificate of Incorporation will result in the conversion of the transferee's shares of our Class B stock into shares of our Common Stock, effective as of the day on which certificates representing such shares are presented for transfer on our books.

Conversion Rights Applicable to Our Class B Stock

Our Class B Stock will be convertible on a share-for-share basis at all times other than while our stock transfer books are closed for any purpose. Any shares surrendered for conversion while the stock transfer books are closed will be converted immediately upon reopening the stock transfer books as of the day such shares were surrendered for conversion. Holders of our Common Stock are not entitled to exchange or otherwise convert shares of our Common Stock into shares of our Class B Stock. Shares of our Class B stock are also subject to conversion in the event of presentation for transfer to other than a Permitted Transferee, as outlined above, and automatic conversion as outlined below.

Automatic Conversion of Our Class B Stock

All shares of our outstanding Class B Stock will be converted into shares of our Common Stock on a share-for-share basis automatically and without further action of our Board or the holders thereof if at any time (i) the number of outstanding shares of our Class B Stock as reflected on our stock transfer books falls below 100,000 shares, or (ii) our Board and the holders of a majority of the outstanding shares of our Class B Stock approve the conversion of all of the outstanding shares of our Class B Stock into our Common Stock. In the event of such conversion, certificates formerly representing outstanding shares of our Class B Stock will thereafter be deemed to represent a like number of shares of our Common Stock.

Other

Our currently outstanding Common Stock does not carry any preemptive rights enabling a holder to subscribe for or receive shares of stock of any class or any other securities convertible into shares of our stock. We deliver to the holders of our Class B Stock the same information and reports which we deliver to holders of our Common Stock. We expect our Common Stock to remain registered under the Exchange Act but do not intend to register our Class B Stock under the Exchange Act unless such registration is required by law.

Transfer Agent

The transfer agent and registrar for our Common Stock is Continental Stock Transfer and Trust Company.

Preferred Stock

Our Board may, without further action by our stockholders, from time to time, direct the issuance of shares of our Preferred Stock in series and may, at the time of issuance, determine the rights, preferences and limitations of each series. Satisfaction of any dividend preferences of outstanding shares of our Preferred Stock would reduce the amount of funds available for the payment of dividends on shares of our Common Stock. Holders of shares of our Preferred Stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of us before any payment is made to the holders of shares of our Common Stock. Under certain circumstances, the issuance of shares of our Preferred Stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Our Board, without stockholder approval, may issue shares of our Preferred Stock with voting and conversion rights which could adversely affect holders of shares of our Common Stock.

Anti-Takeover Effects of Certain Provisions of our Certificate of Incorporation, our Bylaws, and the DGCL

Certain provisions in our Certificate of Incorporation and our Bylaws, as well as certain provisions of the DGCL, may be deemed to have an anti-takeover effect and may delay, deter, or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price of the shares held by stockholders. These provisions contained in our Certificate of Incorporation and our Bylaws include the items described below.

- Class B Stockholders Elect 75% of our Board. Our Certificate of Incorporation provides that the holders of our Class B Stockholders are entitled to elect approximately 75% of our Board. Provisions of this type may serve to delay or prevent an acquisition of us or a change in our directors and officers.

- Approval of Certain Actions. Our Certificate of Incorporation provide that certain mergers, consolidations, sales of assets, and other matters be approved by the affirmative vote of a majority of the outstanding Common Stock and the affirmative vote of a majority of the outstanding Class B Stock, in each case voting separately as a class.
- Special Meetings of Stockholders. Our Bylaws provide that special meetings of our stockholders may be called only by the President, by the President or Secretary at the request of a majority of our Board, or at the request in writing of the holders of a majority of the shares of our stock issued and outstanding and entitled to vote at any meeting at which our directors are elected.
- Stockholder Advance Notice Procedures. Our Bylaws provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide timely notice in writing to the Secretary and also specify requirements as to the form and content of a stockholder's notice. These provisions may delay or preclude stockholders from bringing matters before a meeting of our stockholders or from making nominations for directors at a meeting of stockholders, which could delay or deter takeover attempts or changes in our management.
- No Cumulative Voting. Our Certificate of Incorporation does not include a provision for cumulative voting for directors. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares could be able to ensure the election of one or more directors.
- Undesignated Preferred Stock. Because our Board has the power to establish the preferences and rights of the shares of any additional series of our Preferred Stock, it may afford holders of any Preferred Stock preferences, powers, and rights, including voting and dividend rights, senior to the rights of holders of our Common Stock, which could adversely affect the holders of our Common Stock and could discourage a takeover of us even if a change of control of Gencor would be beneficial to the interests of our stockholders.

These and other provisions contained in our Certificate of Incorporation and our Bylaws are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our Board. However, these provisions could delay or discourage transactions involving an actual or potential change in control of us, including transactions in which stockholders might otherwise receive a premium for their shares over then current prices. Such provisions could also limit the ability of stockholders to remove current management or approve transactions that stockholders may deem to be in their best interests.

In addition, we are subject to the provisions of Section 203 of the DGCL. Section 203 of the DGCL prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the person became an interested stockholder, unless:

- The board of directors of the corporation approved the business combination or other transaction in which the person became an interested stockholder prior to the date of the business combination or other transaction;
- Upon consummation of the transaction that resulted in the person becoming an interested stockholder, the person owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding, shares owned by persons who are directors and also officers of the corporation and shares issued under which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date the person became an interested stockholder, the board of directors of the corporation approved the business combination and the stockholders of the corporation authorized the business combination at an annual or special meeting of stockholders by the affirmative vote of at least 66-2/3% of the outstanding voting stock of the corporation that is not owned by the interested stockholder.

A “business combination” includes mergers, asset sales, and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who, together with affiliates and associates, owns, or within the prior three years did own, 15% or more of a corporation’s voting stock.

Section 203 of the DGCL could depress our stock price and delay, discourage, or prohibit transactions not approved in advance by our Board, such as takeover attempts that might otherwise involve the payment to our stockholders of a premium over the market price of our Common Stock.

GENCOR INDUSTRIES, INC. AND SUBSIDIARIES**SUBSIDIARIES OF THE REGISTRANT**

All of the operating subsidiaries of Gencor Industries, Inc., a Delaware corporation, listed below are included in the Consolidated Financial Statements:

	<u>State in Which Incorporated</u>	<u>Country in Which Incorporated</u>
Bituma-Stor, Inc.	Iowa	USA
Bituma Corporation	Washington	USA
Blaw-Knox Corporation	Florida	USA
Equipment Services Group, Inc.	Florida	USA
Gencor Energy Corp.	Florida	USA
Gencor Holdings International Corp.	Florida	USA
Gencor International Limited	-	British Virgin Islands
General Combustion Corporation	Florida	USA

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Post-Effective Amendment No. 1 to the Registration Statement on Form S-8 (SEC File Number 333-61769) and in the Registration Statement on Form S-8 (SEC File Number 33-198301) of Gencor Industries, Inc. (the “Company”) of our report dated December 17, 2021, with respect to the consolidated financial statements of the Company included in this Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

/s/ MSL, P.A.

MSL, P.A.

Certified Public Accountants

Orlando, Florida

December 17, 2021

CERTIFICATION

I, Mr. Marc G. Elliott, certify that:

1. I have reviewed this annual report on Form 10-K of Gencor Industries, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: December 17, 2021

/s/ Marc G. Elliott
Marc G. Elliott
President
(Principal Executive Officer)

CERTIFICATION

I, Mr. Eric E. Mellen, certify that:

1. I have reviewed this annual report on Form 10-K of Gencor Industries, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: December 17, 2021

/s/ Eric E. Mellen

Eric E. Mellen
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Gencor Industries, Inc. (the “Company”) on Form 10-K for the fiscal year ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Annual Report”), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Annual Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Annual Report fairly presents, in all materials respects, the financial condition and results of operations of the Company.

/s/ Marc G. Elliott

Marc G. Elliott
President
(Principal Executive Officer)

December 17, 2021

/s/ Eric E. Mellen

Eric E. Mellen
Chief Financial Officer
(Principal Financial and Accounting Officer)

December 17, 2021

General Information

Executive Offices

Corporate Offices
Gencor Industries, Inc.
5201 N. Orange Blossom Trail
Orlando, Florida 32810
(407) 290-6000
Fax (407) 578-0577

Independent Accountants

MSL, P.A.
255 S. Orange Ave, Suite 600
Orlando, Florida 32801

Registrar and Transfer Agent

Continental Stock Transfer & Trust Company
1 State Street 30th Floor
New York, New York 10004-1561

Directors

E.J. Elliott
Executive Chairman

Marc G. Elliott
President

General John G. Coburn – Ret.
Director

Walter A. Ketcham Jr.
Director

Thomas A. Vecchiolla
Director

Officers

E.J. Elliott
Executive Chairman

Marc G. Elliott
President

Eric E. Mellen
Chief Financial Officer

Dennis B. Hunt
Senior Vice President

Lawrence C. Maingot
Vice President and Controller

Steve Ramsey
Vice President, Engineering

Jeanne Lyons
Corporate Secretary

Form 10-K Annual Report

Additional copies of the Form 10-K Annual Report filed with the Securities and Exchange Commission for the fiscal year ended September 30, 2021 are available at no charge to shareholders who submit a request in writing to:

Gencor Industries, Inc.
5201 N. Orange Blossom Trail
Orlando, Florida 32810
Attention: Corporate Secretary

Annual Meeting of Shareholders

The 2021 Annual Meeting of Shareholders of Gencor Industries, Inc. will be held at the corporate office on March 4, 2022 at 10:00 a.m. Eastern standard time.





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