



May 12, 2008

Dear Fellow Shareholders:

The fiscal year just ended showed enormous financial as well as operational progress. While we recorded a loss, it was significantly reduced from the prior year and represents the achievement of a number of important financial metrics.

Much of the infrastructure that was painfully added over the prior two year period is now bearing fruit. As a result, we believe we now have the best infrastructure in the aerospace distribution and logistics sector and are poised for future growth.

The financial metrics improved on nearly all fronts. Sales increased 4.9%, SG&A declined 20%, gross margins increased to 17.1% before freight, and corporate expense was reduced 23%. Net freight, an important metric for single point distribution, has declined to under 1.4% post year end versus 1.7% for the prior year and progress continues to be made. We also improved our balance sheet, generating cash and reducing net debt from the peak of \$28 million to under \$23 million by year end.

With our operational and financial improvements, there has been a significant increase in API's customer confidence and we are proud to have recently announced a number of important new program wins:

- LHTEC, a joint venture of Rolls Royce Plc and Honeywell, awarded the global aftermarket materials management for the T800 engine to API
- API was awarded the total supply chain management for Lufthansa's Airline Training Center in Arizona (ATCA)
- API joined the MacAulay-Brown C-130 Center Wing Replacement Program designed to extend the service life of this important military cargo aircraft
- API was selected by Air New Zealand to supply aviation chemicals and related consumable materials as the result of API's robust demand forecasting and inventory planning systems

Going forward, we intend to use our technology and proprietary systems to continue competing for major logistics programs.

The current economic environment will likely have the greatest impact on piston aircraft operations, a segment of the market we have a strong position in. Fortunately, we are well diversified in a number of other aviation markets, both domestically and internationally.

I would like to thank our team members, board of directors, customers and suppliers for their support during this transition year. We look forward to a successful year ahead.

The Company's Annual Report for the Fiscal Year Ended January 31, 2008 will be available on the Company's Website, www.favs.com on or about May 19, 2008, or you may email investorrelations@firstaviation.com to request a copy.

Sincerely,

A handwritten signature in black ink, appearing to read 'Aaron Hollander', written in a cursive style.

Aaron P. Hollander
Chairman and CEO