



## **ACQUISITION AND PLAN OF MERGER ANNOUNCED BY FIRST AVIATION**

Westport, CT, November 9, 2009 --- First Aviation Services Inc. (FAvS) announced that it has entered into definitive agreement with Kelly Aerospace, Inc. to acquire the business of Kelly Aerospace Turbine Rotables, Inc. through a newly formed subsidiary named Aerospace Turbine Rotables, Inc. (AeTR). FAvS has separately entered into definitive agreement to acquire the propeller overhaul repair business of Limco-Piedmont Inc. through a newly formed subsidiary Piedmont Propulsion Systems, LLC (PPS). These transactions will also result in Limco-Piedmont acquiring approximately 37% of FAvS' common stock in the form of newly issued non-voting shares, plus preferred stock and Limco-Piedmont guaranteeing certain debt required to finance the purchase of AeTR. Limco-Piedmont is a subsidiary of TAT Technologies Ltd. (NASDAQ: TATTF).

AeTR is a FAA and EASA approved repair station located in Wichita, KS which provides overhaul, exchange and repair services for flight critical airframe components on general aviation turbine-and-piston-powered aircraft. The company overhauls a variety of aircraft components but specializes in the repair of landing gear systems, hydrostatic, safety equipment services, hydraulic and electrical components. The company's product mix and capabilities focus on turbine aircraft on general aviation platforms with large in-service fleets.

PPS specializes in MRO services for propellers, primarily for turboprop aircraft used by regional airlines, military and corporate operators. PPS is licensed by Hartzell and McCauley to provide MRO services for their propellers and is recognized as a leader in its industry.

As described more fully in the shareholder proxy, FAvS believes these transactions will create a more competitive, profitable and dynamic firm going forward. The combination of these operations with FAvS' existing world class supply chain and distribution services provided by Aerospace Products International, Inc., will offer a full portfolio of maintenance, repair and overhaul capabilities to First Aviation customers, able to repair most major components on turboprops for the military, general aviation, and regional airline markets. The expanded capabilities will be immediately accretive to earnings.

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Aaron Hollander, Chairman & CEO of First Aviation said, "The acquisitions of Kelly Aerospace's Turbine Rotable business and Limco-Piedmont's propeller overhaul division will significantly expand our repair and overhaul capabilities. The transactions will also provide a significant increase in our equity as a result of the exchange of approximately \$5.8 million newly issued common non-voting shares to Limco-Piedmont for the propeller overhaul division and credit enhancement to support the AeTR acquisition." Mr. Hollander went on to say that "the Limco-Piedmont family will be an excellent investor and partner in First Aviation. We look forward to welcoming their participation on the board of directors. They have a deep understanding of the aerospace industry and an appreciation for First Aviation's capabilities."

Dr. Avraham Ortal, CEO of Limco-Piedmont and a newly appointed director of FAvS said "We are very pleased to make this investment in First Aviation and are enthusiastic about the prospects of the combined businesses. Aerospace Products International, Piedmont Propulsion Systems, and Aerospace Turbine Rotables, Inc. make a powerful combination."

Attached to this press release are Unaudited Pro Forma Condensed Consolidated Financial Statements for FAvS for the twelve-month period ended June 30, 2009, based upon financial information for that period provided by Kelly and Limco-Piedmont. Assuming that FAvS acquired PPS and AeTR on July 1, 2008, these Statements reflect pro forma EBITDA of \$3,991,000, total assets of \$70,366,000, debt of \$28,489,000 and stockholders' equity of \$24,612,000. Stated in terms of FAvS' current fiscal year ending January 31, 2010, based on discussions with the managements of Kelly and Piedmont, and assuming that FAvS acquired PPS and AeTR on February 1, 2009, FAvS anticipates that for the current fiscal year FAvS will have pro forma EBITDA of between \$6 million and \$7 million (without giving effect to the costs of the transactions described above).

The transactions are subject to various contingencies described in the proxy as well as shareholder approval which is expected at the company's annual meeting to be held on November 24, 2009.

Please see our forward looking statement at [www.firstaviation.com/forward](http://www.firstaviation.com/forward).

First Aviation Services Inc. together with its subsidiaries ("FAvS"), is one of the leading suppliers of aircraft parts and components to the aviation industry worldwide, and is a provider of third party logistics and inventory management services to the aerospace industry.

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## **UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL DATA**

The unaudited pro forma condensed consolidated financial data set forth below are based on historical consolidated financial statements of FAvS, the historical financial statements of Aerospace Turbine Rotables, Inc. ("AeTR"), the historical financial statements of Piedmont Propulsion Systems, LLC ("PPS"), and adjustments described in the accompanying notes to the unaudited pro forma financial data. The unaudited pro forma condensed financial data is presented to give effect to FAvS's acquisitions of AeTR and PPS (collectively, the "acquisition").

The unaudited pro forma condensed balance sheet combines the historical consolidated balance sheet of FAvS as of July 31, 2009, and the historical balance sheets of AeTR and PPS as of June 30, 2009, giving effect to the acquisition as if it occurred on July 31, 2009. The unaudited pro forma condensed consolidated statements of operations combine the historical consolidated statements of operations of FAvS for the twelve months ended July 31, 2009 with the historical financial statements of AeTR and PPS for the twelve months ended June 30, 2009, giving effect to the acquisition as if it occurred at the beginning of the twelve month period ended July 31, 2009.

The pro forma condensed consolidated statements of operations reflect only the pro forma adjustments expected to have a continuing impact on the combined results beyond 12 months from the consummation of the acquisition, and do not reflect any changes in operations that may occur.

The unaudited pro forma condensed consolidated financial data are for illustrative purposes only, are hypothetical in nature and do not purport to represent what our results of operations, balance sheet or other financial information would have been if the acquisition had occurred as of the dates indicated or what such results will be for any future periods. The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable, including an allocation of the purchase price based on an estimate of fair value, and exclude certain non-recurring charges as disclosed. These estimates are preliminary and are based on information currently available and could change significantly.

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The successor will acquire substantially all of the assets and certain liabilities of PPS and AeTR. The acquisitions will be accounted for under the purchase method of accounting with the assets and liabilities acquired recorded at their fair values at the date of acquisition. The results of operations of the acquired business will be included in the Condensed Consolidated Statements of Operations beginning as of the effective date of the acquisition. The purchase price will be allocated to the assets and liabilities acquired. The excess value of the purchase price over the fair value of the assets and liabilities acquired will be allocated to goodwill and other intangible assets. FAvS will finalize the purchase accounting after acquisitions and expects to do so by the end of the first quarter of the next fiscal year. The pro forma information reflects the fair values as currently estimated based on preliminary information available.

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**First Aviations Services Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
*(amounts in thousands)*

	July 31, 2009 FAvS	June 30, 2009 PPS	June 30, 2009 AeTR	Pro Forma Adjustments	Total
<b>Assets</b>					
<i>Current assets</i>					
Cash and cash equivalents	\$ 1,827		\$ 10	\$ (10) f	\$ 1,827
Trade receivables-net	13,214	\$ 3,454	906	(1,100) i	16,474
Inventories, net	33,360	2,767	2,136	(1,680) i	36,583
Prepaid expenses and other	1,369	103	482		1,954
<b>Total current assets</b>	<b>49,770</b>	<b>6,324</b>	<b>3,534</b>	<b>(2,790)</b>	<b>56,838</b>
Property and equipment, net	2,677	131	150		2,958
Goodwill		1,311	1,222	(1,222) e (1,311) j	
				4,208 g 6,362 l	10,570
Intangible assets		1,147		(1,147) k	
<b>Total assets</b>	<b>\$ 52,447</b>	<b>\$ 8,913</b>	<b>\$ 4,906</b>	<b>\$ 4,100</b>	<b>\$ 70,366</b>
<b>Liabilities and Stockholders' Equity</b>					
<i>Current liabilities</i>					
Accounts payable	\$ 14,188	\$ 818	\$ 516	\$ (44) b	\$ 15,478
Accrued compensation	160	150	231	(231) b	310
Other accrued liabilities	1,305		1,071	(1,041) b 449 k (307) m	1,477
Revolving line of credit	21,025		(3,026)	3,028 c 7,000 h	28,025
Notes payable - current maturities	464		26	(26) c	464
<b>Total current liabilities</b>	<b>37,142</b>	<b>968</b>	<b>(1,184)</b>	<b>8,828</b>	<b>45,754</b>
Related party sub-debt	2,000		335	(335) c (2,000) n	
Long-term debt			12	(12) c	
Intercompany debt			796	(796) c	
Other non-current liabilities			146	(146) d	
<b>Total liabilities</b>	<b>39,142</b>	<b>968</b>	<b>105</b>	<b>5,539</b>	<b>45,754</b>
<i>Stockholders' equity</i>					
Common stock	91				91
Preferred stock				1,350 o,m	1,350
Net assets		7,945		(7,945) n	
Additional paid in capital	39,028		55	(55) a 1,707 m 8,250 o	48,985
Retained earnings (deficit)	(17,112)		4,746	(4,746) a	(17,112)
Accumulated other comprehensive income	348				348
	22,355	7,945	4,801	(1,439)	33,662
Less: treasury stock	(9,050)				(9,050)
<b>Total stockholders' equity</b>	<b>13,305</b>	<b>7,945</b>	<b>4,801</b>	<b>(1,439)</b>	<b>24,612</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 52,447</b>	<b>\$ 8,913</b>	<b>\$ 4,906</b>	<b>\$ 4,100</b>	<b>\$ 70,366</b>

See Notes to Unaudited Pro Forma Condensed Financial Statements

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**First Aviation Services Inc. and Subsidiaries**  
**Unaudited Pro Forma Condensed Statement of Operation with EBIT and EBITDA presented**  
*(amount in thousands)*

	Twelve months ended			Pro Forma	
	July 31, 2009 FavS	June 30, 2009 PPS	June 30, 2009 AeTR	Adjustments	Total
Revenue	\$ 105,782	\$ 10,013	\$ 9,486		\$ 125,281
COGS	87,236	7,531	6,798		101,565
Gross profit excluding freight	18,546	2,482	2,688		23,716
Net freight expense	1,090				1,090
Gross profit	17,456	2,482	2,688		22,626
Selling, general and administrative expenses	16,667	474	1,311	\$ (125) q	18,327
Corporate expense	1,581	329	600	(765) p	1,745
Income (loss) from operations	(792)	1,679	777	890	2,554
Interest expense, net	1,187		58	320 t	1,507
Other income (expense)	10		3	(58) s	13
Income (loss) before taxes	(1,969)	1,679	722	628	1,060
Income taxes (w)		672	290	360 u	360
				(962) r	
Net income (loss)	\$ (1,969)	\$ 1,007	\$ 432	\$ 1,230	\$ 700
EBIT	\$ (782)	\$ 1,679	\$ 780		\$ 2,567
EBITDA	468	1,810	852		3,991

See Notes to Unaudited Pro Forma Condensed Financial Statements

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## First Aviation Services Inc. and Subsidiaries

### Notes to Unaudited Pro Forma Condensed Financial Statements

1. The acquisitions of AeTR and PPS will be accounted for as a business combination. FAVS will finance the acquisitions with a \$7.0 million borrowing under its existing \$32.0 million revolving credit facility and issuance of its common and preferred stock currently valued at \$9.0 million. The purchase price is subject to a working capital adjustment. Under the acquisition method of accounting, the assets and liabilities of AeTR and PPS will be recorded at their fair values as of the acquisition date.

The purchase price is determined as follows (amounts in thousands):

Cash consideration paid	\$	7,000
Issuance of FAVS stock		<u>9,000</u>
Purchase price	\$	<u>16,000</u>

For purposes of the pro forma presentation, the purchase price has been allocated on a preliminary basis to the acquired tangible and intangible assets and liabilities based on their estimated fair values as of July 31, 2009 as follows (amounts in thousands):

Current assets	\$	7,068
Property and equipment		281
Current liabilities		(1,919)
Goodwill		<u>10,570</u>
Net purchase price	\$	<u>16,000</u>

Subsequent to acquisition, goodwill will be adjusted as other intangible assets are valued at fair value. Intangible assets with indefinite lives (once determined), including goodwill, will not be amortized.

The purchase price allocation above, including amounts allocated to goodwill, is presented for pro forma information only. The actual purchase price allocation will be based on the fair values of the assets acquired and liabilities assumed as of the respective acquisition dates, which may be materially different than the estimated fair values at July 31, 2009.

2. The following describes the pro forma adjustments related to the acquisitions made in the accompanying unaudited pro forma condensed consolidated balance sheet as of July 31, 2009 and the unaudited pro forma condensed consolidated statement of operations for the twelve months ended July 31, 2009.

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- a To eliminate AeTR historical stockholders' equity
- b To eliminate non-acquired current liabilities of AeTR
- c To eliminate non-acquired debt of AeTR
- d To eliminate deferred tax liability of AeTR
- e To eliminate pre-acquisition goodwill on AeTR
- f To eliminate non-acquired assets of AeTR
- g To record goodwill on AeTR acquisition
- h To record debt for AeTR acquisition—interest at prime rate (as defined) plus 4.5%
- i To adjust acquired assets to estimated fair value
- j To eliminate pre-acquisition goodwill and intangibles assets on PPS
- k To record additional current liabilities for PPS
- l To record goodwill on PPS acquisition
- m Convert FAVS sub-debt to equity
- n To eliminate net assets (equity) on PPS
- o To record estimated value of FAVS common and preferred stock to be issued
- p Eliminate corporate allocation
- q Eliminate estimated non-ongoing SG&A expenses on AeTR
- r Eliminate Income tax on AeTR
- s Eliminate historical interest on AeTR
- t Estimated additional interest on additional debt
- u Estimated income taxes at the statutory rate
- v Transaction expenses associated with the acquisitions are not presented in the accompanying Pro Forma Statement of Operations
- w The acquired companies were part of a consolidated group and do not pay income tax as individual companies. Income taxes presented represent income tax at an estimated tax rate as if they reported separately

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