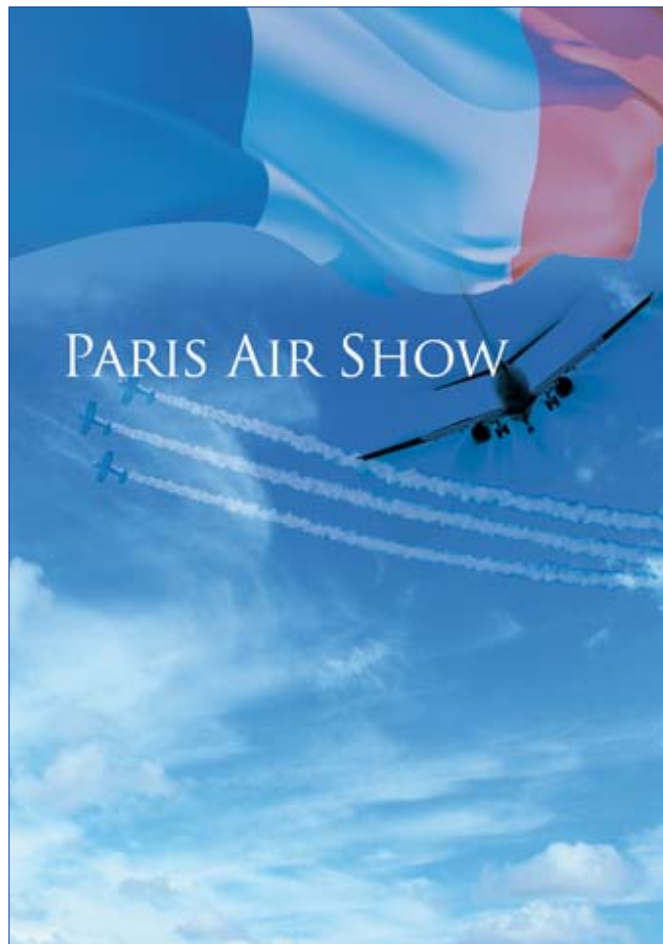

PACIFIC NORTHWEST AEROSPACE INDUSTRY
MARKET UPDATE
JULY 2009



AEROSPACE INDUSTRY TRENDS
UPDATE FROM THE PARIS AIR SHOW
IMPACT OF THE RECESSION

PACIFIC NORTHWEST AEROSPACE INDUSTRY MARKET UPDATE

UPDATE FROM THE PARIS AIR SHOW

Impact of the Recession

The aerospace industry has not been immune to the effects of the recession as market conditions, which began to decline in mid-2008, continue to decline. Commercial aircraft carriers suffer continuing losses, partly due to the skyrocketing cost of fuel and commodities. Lack of availability of materials commonly used in aircraft manufacturing as well as labor strikes have negatively impacted industry growth. In July 2008, the cost of aluminum, carbon fiber, and titanium increased by 90 percent, 60 percent, and 30 percent respectively, representing three-year highs in the cost of these materials. This increased cost, along with decreasing air traffic and defense spending, caused the market capitalization of the top U.S.-based aerospace companies to fall by 39 percent.

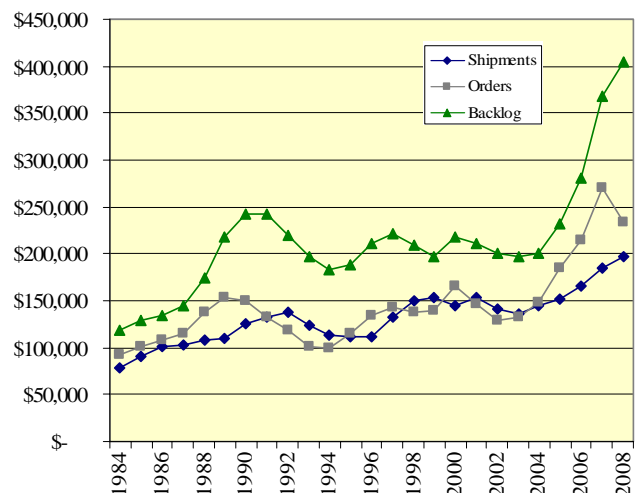
Future Prospects

Despite all the negative impacts to this industry, the U.S. aerospace sector still grew by 2% during 2008, representing a record in the number of sales. Backlogs increased by 10%, to a level twice that of annual shipments, with overseas customers currently comprising about 85% of the commercial backlog. Although orders fell by 14% overall, orders still exceeded shipments by almost 20%.

Commercial and military markets have continued to expand with both sectors showing modest growth in 2008. Despite the global recession, which has directly caused a slowdown in air transport and a decline in airlines' orders, the AIA expects commercial sales to increase by 7% in 2009, clearly demonstrating the strength of the U.S. aerospace market.

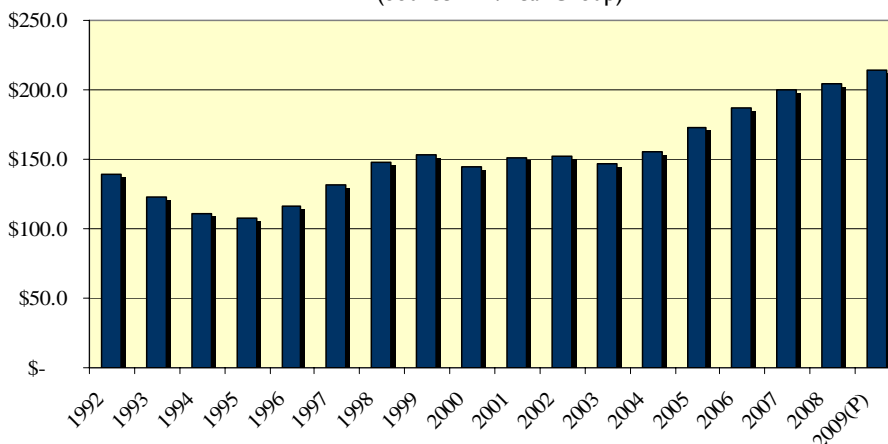
Aerospace Shipments, Orders, and Backlog

(Source AIA)



Aerospace Industry Sales (\$Billions)

(Source AIA/Teal Group)



The industry's resiliency is largely due to strong backlogs and airlines meeting new demands for their services. Boeing remains confident in future growth despite recently announcing a cut in its 20-year forecast, lowering the number of planes from 29,400 to 29,000. Boeing still maintains a *record backlog* of over 3,500 orders, although this number is constantly changing as new orders come in, and previous orders are cancelled.

Continued on following page.

UPDATE FROM THE PARIS AIR SHOW

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The cash position of many aerospace companies remains strong, based partly on reserves from recent, robust years. During a period of slow growth, many companies employ strategies and tactics to help them reach business goals and improve the company's competitive position. Specifically, these tactics include internal consolidations, personnel reductions, further adoption of lean manufacturing programs, and aggressive supplier management (pricing, terms, etc.). Other strategies and tactics could include expansion beyond the core business, and implementation of new manufacturing techniques.

Dynamic changes occurring in the aerospace industry and in the economy have created opportunities for the local supplier base. Recent reports suggest the 787 will not be ready for its initial test until late 2009, and the first round of deliveries will not occur until summer of 2010. Continued delay of the 787 has seriously impacted Tier 2 and Tier 3 suppliers who have invested heavily in needed infrastructure for the 787 roll-out. Traditionally, Tier 2 suppliers have achieved superior margins due to technological innovation and operational efficiencies when compared to Tier 3 suppliers.

In summary, global demand remains strong for new, more efficient commercial airplanes amid high fuel prices, aging fleets, and environmental concerns. Boeing is predicting airlines will grow by responding to passengers' preference for more flight choices, lower fares and direct routes to a wider range of destinations. The aerospace industry is currently driven by four key factors: increased air travel; an aging commercial fleet; increasing fuel prices; and growth in emerging markets, all of which were discussed in detail in Exvere's January whitepaper.

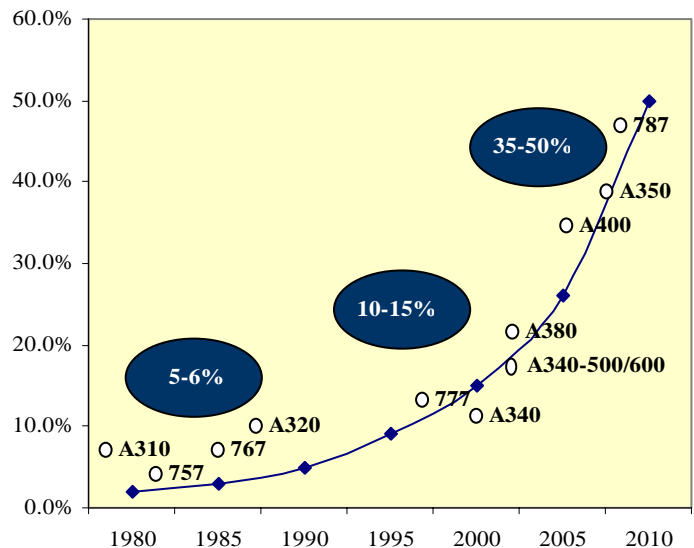
Impact of Composites

Aerospace businesses that have experience working with composite materials are increasingly being sought after as acquisition targets and key supplier status. The surge in adoption of composites, which have now become cost-effective and account for 50% of content on new-generation planes, means traditional metal manufacturers can no longer ignore the important role that this technology will have in the industry's future.

Other Key Issues

Delivery schedules are sliding as a result of two factors: unrealistic development schedules and lower current production rates. The high growth expected from Asia and the Middle East is no longer as certain.

Aircraft Composite Content
(Source Hexcel Corp., Aerostrategy)



{ To receive a copy of Exvere's January whitepaper, please contact admin@exvere.com. }

REGIONAL OUTLOOK

Exvere projects that in mainline aircraft, deliveries will trough in 2010 at just under 900 aircraft. Continued delays are expected for the B787, A380, A330-200F, and B747-8 with narrow-body deliveries falling between 15 and 25 percent in 2009. Regional aviation deliveries are forecast to hit bottom in 2011, at just under 175 aircraft, while general aviation deliveries will hit bottom in 2010 with just over 2,000 deliveries.

With the purchase of Vought, Boeing may be signaling to the machinist union that it is seeking to add a second line in a more labor-friendly environment. Boeing's new acquisition could have an enormous impact on the local supplier base. Currently, the Pacific Northwest has the highest concentration of aerospace jobs in the world. Statewide, the entire aerospace industry encompasses approximately 650 companies in 28 counties. Efforts such as the Washington Aero-

space Partnership put forth by the Greater Seattle Chamber of Commerce are beginning to signal the urgency of keeping the aerospace industry intact and thriving locally.

A slight decline in overall production is still forecasted to occur in 2009, but the long-term outlook for local aerospace suppliers remains strong. Boeing and its suppliers are well positioned for growth as both the airline industry and the economy begin to recover. Local suppliers can use the current business lull as an opportunity to differentiate themselves from their competitors through technological innovations and operational efficiency. Additionally, the plethora of new aircraft launches – ranging from the Airbus A380 and A350, to the Embraer ERJ 170/175 and the forthcoming 190/195, to the Bombardier 'C' Series and Mitsubishi Regional Jet (MRJ) – allow suppliers to apply their capabilities with OEMs other than Boeing.

M&A TRENDS

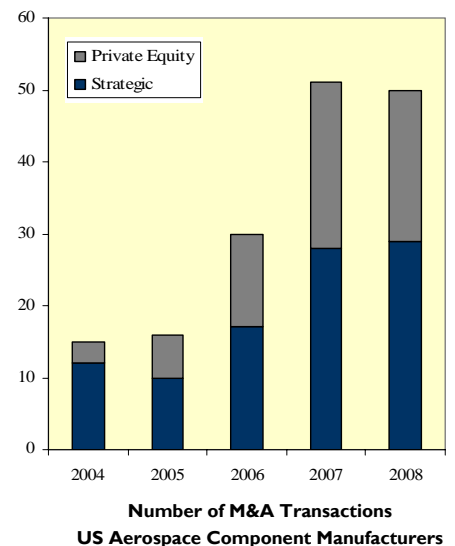
Public company valuations, which bottomed out at 4.5 times EBITDA, have become disconnected from private M&A transactions. Companies with strong management and earnings above \$10 million are currently trading at 7 - 7.5 times EBITDA, and companies that don't meet these criteria are trading in the 4 - 6 times EBITDA range, with special niche products nearest the top.

Private Equity

Private equity involvement in the aerospace and defense market has been very limited in the last few quarters. As the chart shows, in 2008 the number and value of deals dropped considerably. Private equity groups are attracted to the long-term growth prospect of the A&D industry, but are targeting middle-market deals as investors seek out attractively-priced opportunities that can be financed with less leverage. Through the first half of the year, this accounted for 70% of all PE-backed investments¹. As mentioned in Exvere's January whitepaper, the era of the mega-deal has been put on hold for the foreseeable future. Specifically, deals under \$250 million have continued to surge, accounting for 89% of all private equity deal flow in the first half of 2009. Deals in excess of \$250 million slid from nearly 30% of total deal flow in 2007 to slightly over 10% in the first half of 2009, as leverage for large deals has significantly lowered.

Strategic Buyers Locally and Nationally

Strategic buyers have remained very active in the Pacific Northwest and this trend is expected to continue. Local M&A activity has remained steady with 8 transactions occurring in 2008 and 7 in 2007. Nationally, strategic buyers have been the main source of activity, accounting for approximately 30 of 50 transactions in the component manufacturer space. In particular, component manufacturers enjoyed an extremely strong 2008 despite the downturn in the fourth quarter.



¹ Source: PitchBook Private Equity Data Q3 2009.

ABOUT EXVERE INC.

Services

Exvere represents owners of companies in major capital transactions (see partial list of transaction types below). We work closely with our clients to develop targeted lists of strategic and financial counterparties who are qualified to complete the transaction. Exvere employs time-tested processes to maximize value for our clients, and we are active

Transaction Types

- Acquisitions
- Business Sales (Stock & Assets)
- Business Unit Divestures
- Management Buy-Outs
- Merger of Equals
- Private Equity Recapitalizations

Industries Served

- Aerospace & Defense
- Building Products
- Computer Hardware
- Construction
- Consumer Products
- Distribution
- Food & Agribusiness
- General Business Services
- Healthcare Services
- Manufacturing
- Telecommunications / Networking
- Wine & Beverage

History

Founded in Seattle in 1992, Exvere has advised on over 100 capital transactions. In 2006, Exvere formed Exvere Securities, LLC, a FINRA broker-dealer. The firm has established a significant reputation by representing Northwest business owners on mergers and acquisitions, recapitalizations, valuations, and financing.

The Exvere Edge

Strategic Assessments - Many owners have not yet developed comprehensive, long-range plans for their businesses. Exvere assists with producing near- and long-term strategies to maximize exit values utilizing our extensive research and analytical capabilities. We also help owners assess appropriate timing considerations and see the business through the eyes of a potential acquirer: normalizing earnings, determining strengths and weaknesses – all of which provides valuable insight and direction resulting in higher valuation at the chosen time of exit.

FINRA Member - Exvere, through its wholly owned subsidiary, Exvere Securities, LLC, is a FINRA broker-dealer. As such, we are subject to high regulatory and financial standards, setting us apart from most M&A firms. Importantly, this qualification allows us to provide a greater array of options to our clients, such as partnering with international investment banks, sharing these banks' extensive research resources, and providing fairness opinions.

Valuation Expertise - Exvere's staff includes an Accredited Valuation Analyst (AVA), contributing to our success rate of over 90% for each contracted engagement.

In-House Counsel - Exvere has an attorney on staff, resulting in better and more timely counsel on legal and contractual matters.

For more information please visit www.exvere.com or call us at (206) 728-1800.