

A Message from the President & Chief Executive Officer

Brian E. Shore, *President and Chief Executive Officer*

Our Focus for Fiscal Year 2009 – Park’s Aircraft Industry Activities

Park’s overarching focus during the entire 2009 fiscal year was, and continues to be to this day, the growth and development of the business for our advanced composite product lines for the aircraft and space vehicle industries. Our advanced composite product lines consist of both advanced composite materials used to fabricate structural and non-structural aircraft and space vehicle parts, as well as the parts themselves. In that sense, Park is a vertically integrated supplier to the aerospace industry with the technical and manufacturing capability to engineer and manufacture both composite materials and composite parts for aircraft and space vehicles.

During the entire 2009 fiscal year through today, we have been engaged in a full-court business development, marketing and sales press directed towards the aerospace OEMs and the aerospace industry in general. Just a year or so ago, Park was almost a complete unknown in the aircraft industry, and, although we are still the new kid on the block, I believe Park is now very firmly on the map in the aircraft OEM community. We are not an unknown anymore!

During the 2009 fiscal year through today, we spent a very significant amount of time recruiting, screening and, ultimately, hiring engineering and technical talent from the aerospace industry. Although a number of key Park people have learned an enormous amount about the aircraft industry and its very



Brian E. Shore, along with his wife, Barbara, in Nome, Alaska -- January 2009

unique and specialized technologies, we still felt we were “light” with respect to the engineering and technical talent needed to meet our company objectives. We therefore felt we needed to bring additional talent in from the outside. We are not done yet, but we have recruited and hired a number of good solid technical and engineering people to support Park’s aircraft related activities.

At Park, our objective has always been to compete based upon unique capabilities rather than a low-cost or volume-oriented manufacturing orientation. (We learned that lesson, as well as many other valuable lessons, from our many years of experience in the electronics industry.) So, rather than focus only on the production of “build-to-print” aircraft composite parts (build-to-print manufacturing refers to the production of parts for the aircraft industry under circumstances where the aircraft OEM is fully responsible for the design of the parts in question and the manufacturer “builds” the parts in conformance with the design specifications developed and provided by the OEM), Park’s objective is to both design and manufacture the composite parts for the aircraft OEM. (Our feeling is that many aircraft OEMs are increasingly looking to their composite parts

suppliers to perform the design work related to the parts.) In any event, we believe this design capability will provide Park with some degree of uniqueness, which, as stated, is what Park always strives for. You might say that this is a “brains, not just brawn” approach to our business.

In addition to performing design work for the aircraft OEMs, Park is interested in the “STC”, or Supplemental Type Certificate, arena. Supplemental Type Certificates are issued by the FAA as “supplements” to existing aircraft FAA Type Certificates. These STCs are based upon some form of aircraft upgrade or modification which is approved by the FAA. Our objective is to design and develop composite parts modifications to existing certified aircraft for which Park would apply for the STCs. This STC activity can be done in conjunction with an OEM or independently. In either event, Park would not only design and manufacture the composite parts related to the modification, but Park would also own the STC issued by the FAA. Obviously, developing and owning STCs would provide Park with another degree of uniqueness. Now, we are not there yet. We are still in the process of developing the capability and recruiting the talent necessary to perform composite parts related STC work. Nevertheless, I thought it would be appropriate to share this Park objective with you.

Of course, during the 2009 fiscal year, we also made major investments in order to enhance and facilitate the growth and development of our aircraft industry related activities. During the year, we acquired the assets of Nova Composites, Inc. based in Lynnwood, Washington. This new Park business, which is now called Park Aerospace Structures Corp., produces advanced composite parts for the aircraft and space vehicle industry. These parts are often produced with Park’s advanced composite materials. We also completed our new Park Aircraft Technologies Corp. (“PATC”) advanced composite materials development and manufacturing facility located at the Newton, Kansas Airport. This beautiful (if I may say so myself) facility is, and I suspect will be for years to come, the “center of the universe” for Park’s aircraft-related development and manufacturing activities. As a matter of fact, we are very actively considering and studying the expansion of that facility in order to enable the facility to design and produce aircraft composite parts and to accommodate additional technical and business development activities.

And lastly, in the area of development activities related to the aircraft industry, we should touch on our M&A activities. As is widely known, Park has a very strong balance sheet and a very strong cash position. It seems that, as a result of the global financial crisis, cash may finally matter. (For many years,

sometimes to our frustration, the cash which we worked hard to earn the “old-fashioned way” seemed to be almost irrelevant, because cash was so easily available to almost anyone.) Park has been actively looking for acquisitions which would enhance or accelerate our strategic penetration into or growth in the aircraft industry. Now, we are taking our time (we believe that time may finally be on our side!), and we are looking for strategic opportunities only (we are not looking to do acquisitions for the sake of doing acquisitions). But, we are hopeful that, if we keep at it, some good acquisition opportunities may come our way soon. We shall see.



Park’s patented composite struts on NASA’s Max Launch Abort System (“MLAS”) test vehicle. The struts indicated by the arrows above are 11 feet in length.

So, how have we done so far with our business development efforts directed towards the aerospace industry? Well, we have hired a number of solid technical and engineering people related to the aircraft industry as previously stated. We acquired what is now called Park Aerospace Structures Corp. We completed our new PATC facility in Newton, Kansas. We have been involved in an enormous amount of quoting and long-term contract related activities with almost all the major aircraft OEMs. But, I would have to say that we are not there yet, and we have a way to go before we accomplish our business development objectives related to the aircraft industry. Will we succeed? I think the vote is still

out on that question. However, as previously mentioned, just maybe a year or two ago, Park was almost a complete unknown in the aircraft industry...a "nobody". One thing I would say for sure is that Park is not a "nobody" in the aircraft industry anymore!

Park's Electronics Product Lines

Since we were basic unknowns in the aircraft industry until very recently, Park has had to focus and concentrate a significant amount of its sales, marketing, development and investment activities towards that industry in order to "break in" and become a player. Anything less than an all-out effort would have resulted in failure and been a waste of time in my opinion. We gave it the all-out effort necessary for success, as that success was, and is, critical for Park's future in my opinion.

But, that does not mean to even the smallest degree that we are moving away from or backing off of the electronics industry. Although I hear that some of our competitors may whisper such things to our electronics manufacturing customers and OEMs from time to time, there actually could be nothing further from the truth. As a matter of fact, a major portion



Recently completed Park Aircraft Technologies Corp. facility located at the Newton, Kansas Airport.

of Park's R&D efforts continue to be directed towards the electronics industry and our electronics product line. I am personally very pleased that we have made the consuming effort necessary to establish a presence in the aircraft industry, and I do not apologize for doing so. However, any implications drawn from those efforts to the effect that we are no longer committed to the electronics industry are simply untrue and without foundation.

Thank You

As usual, I would like to thank you for taking the time to read my letter. I also would like to ask you to please take the time to read the following letters written by some of Park's other key people if you can find the time to do so.

It is a pleasure dealing with you. Thank you for your interest in our company. I wish you the best in the coming year.

Sincerely,

Brian E. Shore, President and Chief Executive Officer