

TAT TECHNOLOGIES LTD
Form 20-F
June 29, 2010

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

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009

OR

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

For the transition period from _____ to _____

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

Date of event requiring this shell company report

Commission file number: 0-16050

TAT TECHNOLOGIES LTD.
(Exact name of Registrant as specified in its charter
and translation of Registrant's name into English)

Israel
(Jurisdiction of incorporation or organization)

P.O. Box 80, Gedera 70750, Israel
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, NIS 0.90 Par Value	NASDAQ Capital Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, par value NIS 0.90 per share
(as of December 31, 2009)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes 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.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued
by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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INTRODUCTION

TAT Technologies Ltd (the Company or TAT) is a provider of a variety of services and products to the commercial and military aerospace and ground defense industries through our Gedera facility in Israel or Gedera, as well as through our subsidiaries, Bental Industries Ltd., or Bental, in Israel and Limco – Piedmont, Inc. or Limco in the U.S.

We operate under three segments: (i) Original Equipment Manufacturing or “OEM” of Heat Transfer products through our Gedera facility; (ii) OEM of Electric Motion Systems through our Bental subsidiary; and (iii) Maintenance, Repair and Overhaul or ‘MRO’ services through our Limco subsidiary. Until December 4, 2009, TAT also operated a fourth operational segment, the Parts services, which was contributed to First Aviation Services, Inc., or “FAvS” as part of the transaction described under “Item 4 – Information of the Company; History and development of TAT”.

Through our Gedera facility, we are an OEM of a broad range of heat transfer components, air conditioning systems and other cooling systems used in mechanical and electronic systems on board military and commercial aircraft as well as on ground systems. The Gedera facility is also an OEM of a wide range of aviation accessories and provides limited MRO services for military and commercial customers, mainly for aviation accessories as well as for certain heat transfer components.

Through our Bental subsidiary, we are an OEM of a broad range of electric motion systems. Bental is engaged in the design, manufacture and sale of motors, generators, and other electro-mechanical motion systems primarily for the defense and aerospace markets.

Limco provides MRO services to the aerospace industry. Limco’s Federal Aviation Administration, or FAA, certified repair stations provide aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military. In addition to Limco’s MRO services, Limco is also, to a limited extent, an OEM of heat transfer equipment for airplane manufacturers and other related products.

Limco’s Parts services division, operated until December 4, 2009, focused on inventory management and sale of APU parts, propellers and landing gear. Limco offered parts services for commercial, regional and charter airlines and business aircraft owners. On December 4, 2009, TAT contributed its parts division to FAvS and now holds 37% of FAvS's share capital (See “Item 4 – Information of the Company; History and development of TAT”).

FAvS, together with its subsidiaries, is a 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. FAvS distributes the products of over 150 parts and component manufacturers and suppliers and in addition, offers certain maintenance, repair and overhaul services through three Federal Aviation Administration authorized facilities.

Our ordinary shares are publicly traded on the NASDAQ Global Market under the symbol "TATT" and on the Tel Aviv Stock Exchange under the symbol "TAT Tech". As used in this annual report, the terms "TAT", "we", "us" and "our" mean TAT Technologies Ltd. and its subsidiaries, unless otherwise indicated.

Our consolidated financial statements appearing in this annual report are prepared in U.S. dollars and in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. All references in this annual report to "dollars" or "\$" are to U.S. dollars and all references in this annual report to "NIS" are to New Israeli Shekels.

Statements made in this annual report concerning the contents of any contract, agreement or other document are summaries of such contracts, agreements or documents and are not complete descriptions of all of their terms. If we filed any of these documents as an exhibit to this annual report or to any previous filing with the Securities and Exchange Commission, you may read the document itself for a complete recitation of its terms.

Except for the historical information contained in this annual report, the statements contained in this annual report are "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, and the Private Securities Litigation Reform Act of 1995, as amended, with respect to our business, financial condition and results of operations. Such forward-looking statements reflect our current view with respect to future events and financial results. Statements which use the terms "anticipate," "believe," "do not believe," "expect," "plan," "intend," "estimate," "anticipate" and similar expressions are intended to identify forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to publicly release any update or revision to any forward looking statements to reflect new information, future events or circumstances, or otherwise after the date hereof. We have attempted to identify significant uncertainties and other factors affecting forward-looking statements in the Risk Factors section that appears in Item 3D. "Key Information - Risk Factors."

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

TAT's selected historical information is derived from the audited consolidated financial statements of TAT as of December 31, 2009 and 2008 and for each of its fiscal years ended December 31, 2009, 2008 and 2007, which are included elsewhere in this annual statement, and have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The selected financial data for each of the years in the two-year period ended December 31, 2006 and December 31, 2005 is derived from other audited consolidated financial statements of TAT, which have been prepared in accordance with U.S. GAAP. The selected consolidated financial data set forth below should be read in conjunction with and are qualified by reference to Item 5. "Operating and Financial Review and Prospects" and our consolidated financial statements and notes thereto included elsewhere in this annual report.

Income Statement Data:

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(audited, in thousands, except per share data)				
Revenues:					
Sale of products	\$34,751	\$31,724	\$18,928	\$18,512	\$17,537
Services and other	48,340	71,565	69,776	59,021	31,656
Total revenues	83,091	103,289	88,704	77,533	49,193
Cost of revenues:					
Sale of products	23,115	22,977	13,399	12,590	11,322
Services and other	43,780	57,586	51,808	45,049	24,270
Total cost of revenues	66,895	80,563	65,207	57,639	35,592
Gross profit	16,196	22,726	23,497	19,894	13,601
Operating expenses:					
Research and development costs	680	—	—	—	72
Selling and marketing expenses	3,719	4,369	3,719	3,466	2,495
General and administrative expenses	14,979	12,407	10,995	6,710	5,138
Capital gain from sale of the propellers & parts businesses	(4,400)	-	-	-	-
Operating income	1,218	5,950	8,783	9,718	5,896
Financial income (expenses) net	149	1,174	701	(464)	(441)
Other income (expenses), net	-	(236)	*26,478	59	210
Income from operations before income taxes	1,367	6,888	35,962	9,313	5,665
Income taxes (benefit)	(765)	1,795	3,212	3,247	2,136
Share in income (loss) of an associated companies	(32)	674	—	—	—
Net income	2,100	5,767	*32,750	6,066	3,529
Net income attributable to non controlling interest	(347)	(1,499)	(771)	—	—
Net income attributable to TAT Technologies shareholders	\$1,753	\$4,268	\$31,979	\$6,066	\$3,529
Basic net income per share	\$0.22	\$0.65	\$5.04	\$1.00	\$0.58
Diluted net income per share	\$0.22	\$0.65	\$4.99	\$0.98	\$0.58
Weighted average number of shares used in computing basic net income per share	7,894	6,546	6,344	6,042	6,042
Weighted average number of shares used in computing diluted net income per share	7,894	6,566	6,408	6,163	6,087
Cash dividend per share	\$0.85	\$—	\$0.40	\$0.20	\$0.18

* Includes gain from Limco initial public offering of \$26,375,000.

Balance Sheet Data:

	2009	2008	As of December 31, 2007 (audited) (in thousands)	2006	2005
Working capital	\$76,748	\$90,616	\$79,458	\$29,743	\$30,387
Total assets	124,491	135,930	113,407	66,237	60,565
Long-term liabilities, excluding current maturities	13,556	12,925	4,756	8,283	13,786
Shareholders' equity	\$94,866	\$76,077	\$72,793	\$39,720	\$34,861

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our ordinary shares involves certain risks and uncertainties. You should carefully consider the risks and uncertainties described below before investing in our ordinary shares. Our business, prospects, financial condition and results of operations could be adversely affected due to any of the following risks. In that case, the value of our ordinary shares could decline, and you could lose all or part of your investment.

Risks Related to Our Business and Our Industry

The aerospace industry is subject to significant government regulation and oversight, and TAT and its subsidiaries may incur significant additional costs to comply with these regulations.

The aerospace industry is highly regulated in the United States and in other countries. TAT and its subsidiaries must be certified or accepted by the FAA, the United States Department of Defense, the European Aviation Safety Agency, or EASA, and similar agencies in foreign countries and by individual original equipment manufacturers, or OEMs, in order to manufacture, sell and service parts used in aircrafts. If any of the material certifications, authorizations or approvals of TAT or its subsidiaries are revoked or suspended, then the operations of TAT or its subsidiaries, as the case may be, will be significantly curtailed and TAT and its subsidiaries could be subjected to significant fines and penalties. In the future, new and more demanding government regulations may be adopted or industry oversight may be increased. TAT and its subsidiaries may have to incur significant additional costs to achieve compliance with new regulations or to reacquire a revoked or suspended license or approval, which could materially reduce profitability.

TAT competes with a number of established companies in all aspects of TAT's business, many of which have significantly greater resources or capabilities than TAT does.

For the OEM of heat transfer components, TAT's major competitors are other OEMs who manufacture heat transfer components, including the Hughes-Treitler division of Ametek Inc., Lytron Inc., Kintex, Niagra Thermal, Hamilton Sundstrand, Stewart Werner South Wind Corp., United Aircraft Products and Triumph Thermal Systems, manufacturers based in Europe such as I.M.I. Marston Ltd., Dunlop Aerospace (including Serck Aviation) and manufacturers based in Asia such as Sumitomo Precision Products from Japan. Some of TAT's competitors are far larger, have substantially greater resources, including technical, financial, research and development, marketing and distribution capabilities than TAT, and enjoy greater market recognition. These competitors may be able to achieve greater economies of scale and may be less vulnerable to price competition than TAT. TAT may not be able to offer its products as part of integrated systems to the same extent as its competitors or successfully develop or introduce new products that are more cost effective or offer better performance than those of its competitors. Failure to do so could adversely affect TAT's business, financial condition and results of operations.

A number of TAT's competitors have inherent competitive advantages. For example, TAT competes with the service divisions of large OEMs which in some cases have design authority with respect to their OEM products and are able to derive significant brand recognition from their OEM manufacturing activities. TAT also competes with the in-house service divisions of large commercial airlines, and there is a strong incentive for an airline to fully-utilize the services of its maintenance employees and facilities.

For the OEM of electric motion systems, TAT's major competitors are mainly large companies that provide standard products and companies that provide special customized solutions. As the providers of the systems usually tend to prefer local manufacturers for the purchase of the components, penetrating markets outside of Israel requires high levels of product innovation.

For the MRO services, TAT major competitors are the service divisions of OEMs, the in-house maintenance services of a number of commercial airlines and other independent service providers. For heat transfer component MRO services, our major competitors are the LORI Heat Transfer Center of Honeywell (Tulsa, Oklahoma), SECAN-Honeywell (France) and Drake Air – Ametek (Tulsa, Oklahoma). For APU and landing gear MRO services, our major competitors are Standard Aero Group Inc., Aerotech International Inc., Honeywell and AAR Corp.

Competition in the MRO market is based on price, quality, engineered solutions, ability to provide a broad range of services, turn-around time, and the ability to perform repairs and overhauls rapidly. A number of our competitors have inherent competitive advantages. For example, we compete with the service divisions of large OEMs who in some cases have design authority with respect to their OEM products and are able to derive significant brand recognition from their OEM manufacturing activities. We also compete with the in-house service divisions of large commercial airlines and there is a strong incentive for an airline to fully-utilize the services of its maintenance employees and facilities.

Further, TAT's competitors may have additional competitive advantages, such as:

The ability to adapt more quickly to changes in customer requirements and industry conditions or trends;

Greater access to capital;

Stronger relationships with customers and suppliers;

Greater name recognition; and

Access to superior technology and marketing resources.

If TAT is unable to overcome these competitive disadvantages, then TAT's business, financial condition and results of operations would be adversely affected.

TAT derives a substantial part of its revenues from several major customers. If TAT loses any of these customers or they reduce the amount of business they do with TAT, TAT's revenues may be seriously affected.

Five customers accounted for approximately 18.3%, 25.4% and 21.9% of TAT's revenues for the years ended December 31, 2009, 2008 and 2007, respectively. TAT's major customers may not maintain the same volume of business with TAT in the future. If TAT loses any of these customers or they reduce the amount of business they do with TAT, TAT's revenues may be seriously affected.

A substantial part of the revenues of TAT and its subsidiaries are from contracts with the U.S. and Israeli governments and are subject to special risks. A loss of all, or a major portion, of the revenues of TAT or any of its subsidiaries from government contracts could have a material adverse effect on TAT's operations.

A substantial portion of the revenues of TAT and its subsidiaries are from contracts with the U.S. and Israeli governments. Sales to the U.S. and Israeli governments accounted for approximately 4.6%, 5.6% and 5.5% of TAT's revenues on a consolidated basis for the years ended December 31, 2009, 2008 and 2007, respectively.

Business with the U.S. and Israeli governments, as well as with the governments of other countries, is subject to risks which are not as relevant in business with private parties. These risks include the ability of the governmental authorities to unilaterally:

Suspend TAT or any of its subsidiaries from receiving new contracts pending resolution of alleged violations of procurement laws or regulations;

Terminate existing contracts, with or without cause, at any time;

Reduce the value of existing contracts;

Audit the contract-related costs and fees of TAT and its subsidiaries, including allocated indirect costs; and

Control or prohibit the export of the products of TAT and its subsidiaries.

A decision by a governmental authority to take any or all of the actions listed above could materially reduce the sales and profitability of TAT and its subsidiaries. Most of the U.S. Government contracts of TAT and its subsidiaries can be terminated by the U.S. Government either for its convenience or if TAT or any of its subsidiaries defaults by failing to perform under the contract. Termination for convenience provisions generally provide only for the recovery of costs incurred or committed, settlement expenses and profit on the work completed by TAT and its subsidiaries prior to termination.

Declines in military budgets may result in reduced demand for the products and manufacturing services of TAT and its subsidiaries. Any decline could result in reduction in the business revenues of TAT and its subsidiaries and adversely affect their business, results of operations and financial condition.

If TAT does not receive the governmental approvals necessary for the export of its products, TAT's revenues may decrease. Similarly if TAT's suppliers and partners do not receive their government approvals necessary to export their products or designs to TAT, TAT's revenues may decrease.

Under Israeli law, the export of certain of the products and know-how of TAT is subject to approval by the Israeli Ministry of Defense. To initiate sales proposals with regard to exports of the products and know-how of TAT and to export such products or know-how, TAT must obtain permits from the Ministry of Defense. TAT may not be able to receive in a timely manner, or at all, all the required permits for which it may apply in the future.

Similarly, under foreign laws the export of certain military products, technical designs and spare parts require the prior approval of, or export license from, such foreign governments. In order to maintain the third party production, certain co-development activities and procurements required for the performance of certain contracts, TAT must receive detailed technical designs, products or product parts' samples from its strategic partners or suppliers. TAT may not be able to receive all the required permits and/or licenses in a timely manner, or at all. Consequently, TAT's revenues may decrease.

TAT depends on a limited number of suppliers of components for its products and if TAT or any of its subsidiaries is unable to obtain these components when needed, they would experience delays in manufacturing their products and TAT's financial results could be adversely affected.

TAT relies on a limited number of key suppliers for parts for its OEM and MRO services. Certain of these suppliers are currently the sole source of one or more components upon which TAT is dependent. Suppliers of some of these components require TAT to place orders with significant lead-time to assure supply in accordance with TAT's requirements. If TAT were to engage in a commercial dispute with or be unable to obtain adequate supplies of parts from these suppliers at commercially reasonable prices, TAT's operations could be interrupted. Increased costs associated with supplied materials or components could increase TAT's costs and reduce TAT's profitability if TAT is unable to pass these cost increases on to its customers.

TAT may face increased costs and a reduced supply of raw materials. TAT may not be able to recoup future increases in the cost of raw materials or in electric power costs for its operations through price increases for its products.

In recent years, the cost of raw materials used by TAT has fluctuated significantly due to market and industry conditions. The cost of electric power used in TAT's operations has also increased in the last several years. TAT may not be able to recoup future increases in the cost of raw materials or electric power costs through price increases for its products.

TAT faces special risks from international sales operations which may have a material adverse effect on TAT's business, operating results and financial condition.

In the years ended December 31, 2009, 2008 and 2007, approximately 76.3%, 83.5% and 91.7% of TAT's sales, respectively, resulted from TAT's international operations. This source of revenue is subject to various risks, including:

Governmental embargoes or foreign trade restrictions;

Changes in U.S. and foreign governmental regulations;

Changes in foreign exchange rates;

Tariffs;

Other trade barriers; and

Political, economic and social instability; and difficulties in accounts receivable collections.

Accordingly, TAT and its subsidiaries may encounter significant difficulties in connection with the sale of its products in international markets.

TAT may engage in future acquisitions that could dilute TAT's shareholders' equity and harm TAT's business, results of operations and financial condition.

TAT has pursued, and will continue to pursue, growth opportunities through internal development and acquisition of complementary businesses, products and technologies. TAT is unable to predict whether or when any prospective acquisition will be completed. The process of integrating an acquired business may be prolonged due to unforeseen difficulties and may require a disproportionate amount of TAT's resources and management's attention. TAT may not be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into its operations, or expand into new markets. Further, once integrated, acquisitions may not achieve comparable levels of revenues, profitability or productivity as TAT's existing business or otherwise perform as expected. The occurrence of any of these events could harm TAT's business, financial condition or results of operations. Future acquisitions may require substantial capital resources, which may require TAT to seek additional debt or equity financing.

Future acquisitions by TAT could result in the following, any of which could materially harm TAT's results of operations or the price of TAT's ordinary shares:

Issuance of equity securities that would dilute TAT's shareholders' percentages of ownership;

Large one-time write-offs;

The incurrence of debt and contingent liabilities;

Difficulties in the assimilation and integration of operations, personnel, technologies, products and information systems of the acquired companies;

Diversion of management's attention from other business concerns;

Contractual disputes;

Risks of entering geographic and business markets in which TAT has no or only limited prior experience; and

Potential loss of key employees of acquired organizations.

Rapid technological changes may adversely affect the market acceptance of the products of TAT.

The aerospace market in which TAT competes is subject to technological changes, introduction of new products, change in customer demands and evolving industry standards. The future success of TAT will depend upon its ability to keep pace with technological developments and to timely address the increasingly sophisticated needs of its customers by supporting existing and new technologies and by developing and introducing enhancements to its current products and new products. TAT may not be able to successfully develop and market enhancements to its products that will respond to technological change, evolving industry standards or customer requirements. TAT may experience difficulties that could delay or prevent the successful development, introduction and sale of such enhancements; and such enhancements may not meet the requirements of the market or achieve any significant degrees of market acceptance. If release dates of any new products or enhancements of TAT are delayed, or if when released, they fail to achieve market acceptance, TAT's business, operating results and financial condition would be materially adversely affected.

TAT has fixed-price contracts with some of its customers and TAT bears the risk of costs in excess of its estimates.

TAT has entered into multi-year, fixed-price contracts with some of its MRO and OEM customers. Pursuant to these contracts, TAT realizes all the benefits or costs resulting from any increases or decreases in the cost of providing services to these customers. Most of TAT's contracts do not permit TAT to recover for increases in raw material prices, taxes or labor costs. Any increase in these costs could increase the cost of operating the business of TAT and reduce its profitability. Factors such as inaccurate pricing and increases in the cost of labor, materials or overhead may result in cost over-runs and losses on those agreements. TAT may not succeed in obtaining an agreement of a customer to reprice a particular product, and may not be able to recoup previous losses resulting from incomplete or inaccurate engineering data.

TAT depends on its key executives, and may not be able to hire and retain additional key employees or successfully integrate new members of its team and the loss of a key employee could have a material adverse effect on TAT's business.

TAT's success will depend largely on its continued reliance on the experience and expertise of the senior management of TAT. Any of the senior managers of TAT may terminate his employment with TAT and seek employment with others who may seek his expertise. The loss of the expertise of any of the senior management of TAT through death, disability or termination of employment would have a material and adverse effect on TAT's business, financial condition and results of operations. TAT is not the beneficiary of life or disability insurance covering any of the executives, key employees or other personnel of TAT.

TAT depends on its manufacturing and MRO facilities, and any material damage to these facilities may adversely impact TAT's operations.

TAT believes that its results of operations will be dependent in large part upon its ability to manufacture and deliver OEM products and to provide MRO services promptly upon receipt of orders and to provide prompt and efficient service to its customers. As a result, any material disruption of TAT's day-today operations could have a material adverse effect on their business, customer relations and profitability. TAT relies on its Gedera, Israel, Kibbutz Marom-Golan, Israel, Kernersville and Winston-Salem, North Carolina and Tulsa, Oklahoma facilities for the production of its OEM products and provision of its MRO and parts services. A fire, flood, earthquake or other disaster or condition that significantly damaged or destroyed any of these facilities would have a material adverse effect on the operations of TAT.

TAT uses equipment that is not easily repaired or replaced, and therefore material equipment failures could cause TAT or its subsidiaries to be unable to meet quality or delivery expectations of its customers.

Many of the service and manufacturing processes of TAT are dependent on equipment that is not easily repaired or replaced. As a result, unexpected equipment failures could result in production delays or the manufacturing of defective products. The ability of TAT to meet the expectations of its customers with respect to on-time delivery of repaired components or quality OEM products is critical. The failure by TAT to meet the quality or delivery expectations of its customers could lead to the loss of one or more of its significant customers.

TAT may fail to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

The Sarbanes-Oxley Act of 2002 imposes certain duties on TAT and TAT's executives and directors. TAT's efforts to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 governing internal controls and procedures for financial reporting, have resulted in increased general and administrative expense and a diversion of management time and attention, and TAT expects these efforts to require the continued commitment of significant resources. TAT may identify material weaknesses or significant deficiencies in its assessments of its internal controls over financial reporting. Failure to maintain effective internal controls over financial reporting could result in investigation or sanctions by regulatory authorities and could have a material adverse effect on TAT's operating results, investor confidence in TAT's reported financial information and the market price of TAT's ordinary shares.

TAT has potential exposure to liabilities arising under environmental laws and regulations.

The business operations and facilities of TAT are subject to a number of federal, state, and local laws and regulations that govern the discharge of pollutants and hazardous substances into the air and water as well as the handling, storage and disposal of such materials and other environmental matters. Compliance with such laws as they relate to the handling, storage and disposal of hazardous substances is a significant obligation for TAT at each of its facilities. TAT would be subject to serious consequences, including fines and other sanctions, and limitations on the operations of TAT due to changes to, or revocations of, the environmental permits applicable to its facilities if it fails to comply. The adoption of new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new cleanup requirements could require TAT to incur costs and become subject to new or increased liabilities that could increase the operating costs of TAT and adversely affect the manner in which TAT conducts its business.

Under certain environmental laws, liability associated with investigation or remediation of hazardous substances can arise at a broad range of properties, including properties currently or formerly operated by TAT or any of its predecessors, as well as properties to which TAT sent hazardous substances or wastes for treatment, storage, or disposal. Costs and other obligations can arise from claims for toxic torts, natural resource and other damages, as well as the investigation and clean up of contamination at such properties. Under certain environmental laws, such liability may be imposed jointly and severally, so TAT may be responsible for more than its proportionate share and may even be responsible for the entire liability at issue. The extent of any such liability can be difficult to predict.

TAT is exposed to potential liabilities arising from product liability and warranty claims.

TAT's operations expose TAT to potential liabilities for personal injury or death as a result of the failure of an aircraft component that has been designed, manufactured, serviced or supplied by TAT. TAT believes that, in an effort to improve operating margins, some customers have delayed the replacement of parts beyond their recommended lifetime, which may undermine aircraft safety and increase the risk of liability of TAT and its subsidiaries.

There can be no assurance that TAT will not experience any material product liability losses in the future, that it will not incur significant costs to defend such claims, that its insurance coverage will be adequate if claims were to arise or that it would be able to maintain insurance coverage in the future at an acceptable cost. A successful claim brought against TAT or its subsidiaries in excess of its available insurance coverage may have a material adverse effect on TAT's business.

In addition, in the ordinary course of business of TAT, contractual disputes over warranties can arise. TAT may be subject to requests for cost sharing or pricing adjustments from its customers as a part of its commercial relationships with them, even though they have agreed to bear these risks.

Risk Factors Related to Our Ordinary Shares

TAT's share price has been volatile in the past and may decline in the future.

TAT's ordinary shares have experienced significant market price and volume fluctuations in the past and may experience significant market price and volume fluctuations in the future in response to factors such as the following, some of which are beyond TAT's control:

Quarterly variations in TAT's operating results;

Operating results that vary from the expectations of securities analysts and investors;

Changes in expectations as to TAT's future financial performance, including financial estimates by securities analysts and investors;

Announcements of technological innovations or new products by TAT or TAT's competitors;

Announcements by TAT or TAT's competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;

Changes in the status of TAT's intellectual property rights;
Announcements by third parties of significant claims or proceedings against us;
Additions or departures of key personnel;
Future sales of TAT's ordinary shares;
De-listing of TAT's shares from the NASDAQ Global Market; and
Stock market price and volume fluctuation.

Domestic and international stock markets often experience extreme price and volume fluctuations. Market fluctuations, as well as general political and economic conditions, such as a recession or interest rate or currency rate fluctuations or political events or hostilities in or surrounding Israel, could adversely affect the market price of TAT's ordinary shares.

In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of its securities. TAT may in the future be the target of similar litigation. Securities litigation could result in substantial costs and divert management's attention and resources both of which could have a material adverse effect on TAT's business and results of operations.

Substantial future sales of TAT's ordinary shares by TAT's principal shareholders may depress TAT's share price.

TAT's principal shareholder, Isal Investment Ltd., or Isal, beneficially owns 53.7% of TAT's outstanding shares, of which 43.6% of TAT's outstanding shares are held directly by its subsidiary, TAT Industries Ltd. If Isal sells substantial amounts of TAT's ordinary shares or if the perception exists that TAT's principal shareholders may sell a substantial number of TAT's ordinary shares, the market price of TAT's ordinary shares may fall. Any substantial sales of TAT's shares in the public market also might make it more difficult for TAT to sell equity or equity-related securities in the future at a time, in a place and on terms TAT deems appropriate.

Risks Relating to Our Location in Israel

Because TAT has significant operations in Israel, TAT may be subject to political, economic and other conditions affecting Israel that could increase TAT's operating expenses and disrupt TAT's business.

TAT is incorporated under the laws of Israel, and TAT's executive offices, manufacturing plant and research and development facilities are located in, the State of Israel. As a result, political, economic and military conditions affecting Israel directly influence TAT. Any major hostilities involving Israel, a full or partial mobilization of the reserve forces of the Israeli army, the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel could have a material adverse effect on TAT's business, financial condition and results of operations.

Since the establishment of the State of Israel in 1948, Israel and its Arab neighbors have engaged in a number of armed conflicts. A state of hostility, varying from time to time in intensity and degree, has led to security and economic problems for Israel. Major hostilities between Israel and its neighbors may hinder Israel's international trade and lead to economic downturn. This, in turn, could have a material adverse effect on TAT's operations and business. There has been an increase in unrest and terrorist activity in Israel, which began in September 2000 and which has continued with varying levels of severity. The future effect of this deterioration and violence on the Israeli economy and TAT's operations is unclear. Since June 2007, when Hamas effectively took control of the Gaza Strip, there have been extensive hostilities along the Gaza Strip. Ongoing violence between Israel and the Palestinians as well as tension between Israel and the neighboring Syria and Lebanon may have a material adverse effect on TAT's business, financial conditions and results of operations.

Furthermore, there are a number of countries, primarily in the Middle East, as well as Malaysia and Indonesia, that restrict business with Israel or Israeli companies, and TAT is precluded from marketing its products to these countries. Restrictive laws or policies directed towards Israel or Israeli businesses may have an adverse impact on TAT's operations, TAT's financial results or the expansion of TAT's business.

TAT may be adversely affected by a change in the exchange rate of the NIS against the dollar. Because exchange rates between the NIS and the dollar fluctuate continuously, exchange rate fluctuations, particularly larger periodic devaluations, may have an impact on TAT's profitability and period to period comparisons of TAT's results.

TAT's financial statements are stated in dollars, while a portion of TAT's expenses, primarily labor expenses, is incurred in NIS and a part of TAT's revenues are quoted in NIS. Additionally, certain assets, as well as a portion of TAT's liabilities, are denominated in NIS. Because exchange rates between the NIS and the dollar fluctuate continuously, exchange rate fluctuations, particularly larger periodic devaluations, may have an impact on TAT's profitability and period to period comparisons of TAT's results. TAT's results may be adversely affected by the devaluation of the NIS in relation to the dollar (or if such devaluation is on a lagging basis), if TAT's revenues in NIS are higher than TAT's expenses in NIS and/or the amount of TAT's assets in NIS are higher than TAT's liabilities in NIS. Alternatively, TAT's results may be adversely affected by an appreciation of the NIS in relation to the dollar (or if such appreciation is on a lagging basis), if the amount of TAT's expenses in NIS are higher than the amount of TAT's revenues in NIS and/or the amount of TAT's liabilities in NIS are higher than TAT's assets in NIS.

TAT's results of operations may be negatively affected by the obligation of its personnel to perform military service.

Many of TAT's employees and some of TAT's directors and officers in Israel are obligated to perform annual reserve duty in the Israeli Defense Forces and may be called for active duty under emergency circumstances at any time. If a military conflict or war arises, these individuals could be required to serve in the military for extended periods of time. TAT's operations could be disrupted by the absence for a significant period of one or more of TAT's executive officers or key employees or a significant number of other employees due to military service. Any disruption in TAT's operations could adversely affect TAT's business.

Your rights and responsibilities as a shareholder will be governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

TAT is incorporated under Israeli law. The rights and responsibilities of holders of TAT's ordinary shares are governed by TAT's memorandum of association, articles of association and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, each shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising his or her rights and fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters. Israeli law provides that these duties are applicable in shareholder votes on, among other things, amendments to a company's articles of association, increases in a company's authorized share capital, mergers and interested party transactions requiring shareholder approval. In addition, a controlling shareholder of an Israeli company, or a shareholder who knows that he or she possesses the power to determine the outcome of a shareholder vote or who has the power to appoint or prevent the appointment of a director or officer in the company, has a duty of fairness toward the company. However, Israeli law currently does not define the substance of this duty of fairness. Because Israeli corporate law has undergone extensive revision in recent years, there is relatively little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

Israeli law may delay, prevent or make difficult an acquisition of TAT, which could prevent a change of control and, therefore, depresses the price of TAT's shares.

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. Furthermore, Israeli tax considerations may make potential transactions unappealing to TAT or to some of TAT's shareholders. These provisions of Israeli law may delay, prevent or make difficult an acquisition of TAT, which could prevent a change of control and therefore depress the price of TAT's shares.

Investors and TAT's shareholders generally may have difficulties enforcing a U.S. judgment against TAT, TAT's executive officers and directors or asserting U.S. securities laws claims in Israel.

TAT is incorporated in Israel and all of TAT's executive officers and directors reside outside the United States. Service of process upon them may be difficult to effect within the United States. Furthermore, many of TAT's assets and most of the assets of TAT's executive officers and directors are located outside the United States. Therefore, a judgment obtained against TAT or any of them in the United States, including one based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It also may be difficult for you to assert U.S. securities law claims in original actions instituted in Israel. However, subject to certain time limitations and other conditions, Israeli courts may enforce final judgments of United States courts for liquidated amounts in civil matters, including judgments based upon the civil liability provisions of those and similar acts.

As a foreign private issuer whose shares are listed on the NASDAQ Capital Market, TAT may follow certain home country corporate governance practices instead of certain NASDAQ requirements.

As a foreign private issuer whose shares are listed on the NASDAQ Capital Market, TAT is permitted to follow certain home country corporate governance practices instead of certain requirements of the NASDAQ Marketplace Rules. A foreign private issuer that elects to follow a home country practice instead of such requirements, must submit to NASDAQ in advance a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. In addition, a foreign private issuer must disclose in its annual reports filed with the Securities and Exchange Commission or on its website each such requirement that it does not follow and describe the home country practice followed by the issuer instead of any such requirement. As a foreign private issuer listed on The NASDAQ Capital Market, TAT may follow TAT's home country law, instead of the NASDAQ Marketplace Rules, which require that TAT obtain shareholder approval for certain dilutive events, such as for the establishment or amendment of certain equity based compensation plans, an issuance that will result in a change of control of TAT, certain transactions other than a public offering involving issuances of a 20% or more interest in TAT and certain acquisitions of the stock or assets of another company.

Item 4. Information on the Company

History and Development of TAT

TAT was incorporated under the laws of the State of Israel in April 1985 under the name Galaxy Graphics Ltd. TAT changed its name to Galagraph Ltd. in August 1986 and to TAT Technologies Ltd. in May 1992. TAT is a public limited liability company under the Israeli Companies Law 1999-5759, or the Israeli Companies Law, and operates under this law and associated legislation. TAT's registered offices and principal place of business are located at Re'em Industrial Park, Neta Boulevard, Bnei Ayish, Gedera 70750, Israel and its telephone number is +972-8-8268-500. TAT's address on the Internet is www.tat-technologies.com. The information on TAT'S website is not incorporated by reference into this annual report.

TAT was founded in 1985 to develop the computerized systems business of its parent company, TAT Industries Ltd. (or TAT Industries), a publicly held Israeli corporation engaged in the manufacture and sale of aeronautical equipment. In December 1991, TAT acquired the heat exchanger operations of TAT Industries and in February 2000, TAT entered into an agreement to purchase the operations of TAT Industries relating to the manufacture of aviation accessories and to lease certain of its properties.

In March 1987, TAT completed the initial public offering of its securities in the United States. TAT was listed on the NASDAQ Global Market (then known as the NASDAQ National Market) from its initial public offering until July 1998 when the listing of TAT's ordinary shares was transferred to the NASDAQ Capital Market. On June 24, 2009 TAT's, ordinary shares resumed trading on the NASDAQ Global Market. Since August 2005 TAT's shares have been traded also on the TASE.

TAT is a provider of a variety of services and products to the commercial and military aerospace and defense industries through its Gedera facility, as well as through its subsidiaries, Bental, in Israel, and Limco in the U.S.

Limco provides maintenance, repair and overhaul, or MRO, services to the aerospace industry. Limco's Federal Aviation Administration, or FAA, certified repair stations (located in Oklahoma and in North Carolina) provide aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military. In addition to Limco's MRO services Limco is also an original equipment manufacturer, or OEM, of heat transfer equipment for airplane manufacturers and other selected related products.

In July 2005, Limco acquired Piedmont Aviation Component Services, Inc. (“Piedmont”), a company certified by the FAA to perform maintenance, repair and overhaul services on APUs, propellers and landing gears.

In July 2007, Limco, completed an initial public offering of its shares of common stock and Limco’s shares were listed on the NASDAQ Global Market (symbol: LIMC) until July 2, 2009, when TAT acquired all of the publicly held shares of Limco (approximately 32% of Limco’s total shares) in a stock for stock merger. As a result of such merger, Limco again became a wholly-owned subsidiary of TAT.

Following a series of transactions described below, TAT had acquired 70% control in Bental:

On March 27, 2008, TAT entered into an agreement with Bental Investments Cooperative Agricultural Society Ltd., (“Bental Investments”), to purchase from it 27% of the then outstanding shares of Bental, together with a call and put option for an additional 18% of the outstanding shares of Bental held by Bental Investments. The call option was for a period of four years commencing January 1, 2009, for an exercise price of \$2,250,000, and the put option was for a period of two years commencing January 1, 2011, for \$2,138,000 (both subject to certain exchange rate adjustments). The exercise prices carried interest of 2% per annum.

On April 15, 2008, TAT entered into an agreement to purchase an additional 10% of the outstanding shares of Bental from Mivtach Shamir Investments (1993) Ltd., (“Mivtach”), subject to the completion of the acquisition from Bental Investment.

The foregoing transactions with Bental Investments and Mivtach were consummated on May 21, 2008, as a result of which TAT paid in cash a total of \$5,144,000.

On August 18, 2008, following the approval of the shareholders meeting of TAT Industries (our parent company), TAT acquired an additional 15% shareholding in Bental from TAT Industries for a cash consideration of \$1,893,000.

On March 30, 2009, the call option mentioned above was exercised for \$2.34 million.

The acquisition of Bental shares was financed by loans in a total amount of \$6.25 million received from Bank Mizrahi and TAT's internal resources.

The agreement with Bental Investment provides for the payment of additional consideration by TAT, in the event that during the three year period following the closing of the transaction TAT consummates an "exit," as such term is defined in the agreement. The consideration for the shares and call option shares (if purchased) is equal to a certain percentage of the difference between the price per share that TAT paid for such shares and the price per share paid in the exit transaction (30% if the exit is within one year of the closing, 20% if the exit is within two years of the closing and 10% if the exit is within three years of the closing).

On December 19, 2007, Isal Amlat Industries (1994) Ltd. ("Isal Industries") purchased the controlling interests in TAT and in TAT Industries, TAT's controlling shareholder, by purchasing from Mr. Shlomo Ostersetzer, the former Chairman of TAT's Board of Directors and TAT's former President, Mr. Dov Zeelim, the former Vice Chairman of TAT's Board of Directors and TAT's former Chief Executive Officer, and FIMI Opportunity Fund, or FIMI, 10% of TAT's then outstanding ordinary shares for consideration of NIS 50.4M, and 54% of TAT Industries' then outstanding ordinary shares for consideration of NIS 105.3M.

The agreement between Isal Amlat and Mr. Zeelim, as amended on January 31, 2008, provided Isal Amlat with additional shares in TAT Industries purchased from Mr. Zeelim.

Pursuant to an agreement between Isal Amlat and Mr. Zeelim entered into in May 2008 in connection with Mr. Zeelim's resignation from the office of Chief Executive Officer of TAT, Mr. Zeelim exercised his put option on June 12, 2008 and 4.17% of TAT Industries' then outstanding ordinary shares were purchased by Isal Amlat.

On July 17, 2008 Isal Amlat and FIMI amended the terms of their agreement. Accordingly, 141,443 of TAT's ordinary shares constituting then 2% of TAT's outstanding shares were purchased by Isal Amlat in December 2008 at a price per share of \$19.343 and the remaining 100,000 of TAT's ordinary shares constituting then 1.1% of TAT's outstanding shares were purchased by Isal Amlat in November 2009 for a total consideration of USD 2 M.

On March 11, 2009 and on August 13, 2009, TAT's board of directors authorized its management to enter into engagements with Oppenheimer Israel Investment House for the blind trust purchase of TAT's shares under rule 10b5-1 of the Securities Exchange Act of 1934. The first purchase plan was terminated on March 26, 2009, with TAT having purchased 4,650 ordinary shares for an aggregate price of \$26,000. The second purchase plan authorized Oppenheimer Israel to purchase shares of TAT in the aggregate amount of up to \$2 million (approximately NIS 7.8 million) over a period of six months and at a price not exceeding \$9 per share. As of December 31, 2009, 253,390 ordinary shares were purchased, representing about 2.8% of the Company's share capital in consideration of approximately \$2 million (an average of \$7.90 per share). The purchased shares became dormant as defined in the Companies Law.

On December 4, 2009, TAT's indirect subsidiary, Piedmont, acquired 5,766,667 Class B Common shares of FAvS representing 37% of FAvS's share capital on a diluted basis and \$750,000 of FAvS Preferred Shares (entitling Piedmont to cash dividends at an annual rate of 12% payable quarterly or at the discretion of FAvS to PIK dividends payable in additional Preferred Shares at an annual rate of 15%). In consideration for such shares, Piedmont transferred to FAvS its propeller and parts businesses and guaranteed for a period of up to two years up to \$7 million of the bank debt incurred by FAvS to fund the transaction described in the next paragraph. FAvS is a provider of products and services for the global aviation industry and provides supply chain management services and maintenance and repair services for various wheels, brakes and starter/generators.

As part of the transaction described above, FAvS also acquired all the assets and liabilities of Kelly Aerospace Turbine Rotables ("KATR") for a cash consideration of \$7 million.. KATR specializes in renovation and repair of landing gear, safety equipment and hydraulic and electrical components for corporate, regional and military aircraft.

FAvS' shares are quoted over the counter (OTC) at the NASDAQ stock market. FAvS' share value as of the closing date (December 4, 2009) and as of December 31, 2009 was \$0.89 and \$0.75, respectively. TAT believes that the share value does not reflect the fair value of FAvS' share, because the extremely low trading volume in FAvS' shares does not reflect an active market. Therefore the fair value of FAvS was based on an appraisal performed by management, which included a number of factors, including the assistance of independent appraisers. According to the appraisal, FAvS' fair value amounted to \$22.549 million as of November 30, 2009. As a result of the sale of Piedmont's propeller and spare parts businesses, TAT recorded a capital gain in the amount of approximately \$4.4 million in its statement of income.

A. Business Overview

Overview

TAT provides a variety of services and products to the commercial and military aerospace and defense industries and operates under three segments: (i) OEM of Heat Transfer products (ii) OEM of Electric Motion Systems; and (iii) MRO services, each with the following characteristics.

TAT's activities in the field of OEM of Heat Transfer products primarily relate to its Gedera facility and include (i) the design, development, manufacture and sale of a broad range of heat transfer components (such as heat exchangers, pre-coolers and oil/fuel hydraulic coolers) used in mechanical and electronic systems on-board commercial, military and business aircraft; (ii) the manufacture and sale of environmental control and cooling systems and (iii) a variety of other electronic and mechanical aircraft accessories and systems such as pumps, valves, power systems and turbines.

TAT's activities in the field of OEM of Electric Motion Systems primarily relate to its subsidiary, Bental, and include the design, development, manufacture and sale of a broad range of electrical motor applications for airborne and ground systems. TAT activities in this segment commenced with the acquisition of Bental in August 2008.

TAT's MRO services primarily relate to its subsidiary, Limco, and include the maintenance, repair and overhaul of heat transfer equipment and other aircraft components, APUs, and landing gear. Limco operates FAA certified repair stations, which provide aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military.

As mentioned above under 'History and Development of TAT', Limco's Parts services division, operated until December 4, 2009, when it was sold to FAvS.

FAvS, together with its subsidiaries, 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. FAvS distributes the products of over 150 parts and component manufacturers and suppliers. In addition, FAvS offers maintenance, repair and overhaul services through three Federal Aviation Administration authorized facilities. Customers of FAvS include passenger and cargo airlines, general aviation, and military operators.

OEM of Heat Transfer Products

TAT provides OEM of Heat Transfer products and services, primarily through its Gedera facility, to the aerospace and defense industries. The main OEM activity of Gedera is the manufacture of a complete line of heat transfer components, including heat exchangers, pre-coolers, oil coolers and cold plates, or heat transfer components. Heat transfer components facilitate the necessary removal and dissipation of heat generated during the operation of mechanical and electronic systems. Gedera's heat transfer components are generally integrated into a complete cooling system. Using Gedera's technological expertise, Gedera designs each of its heat transfer products to meet the specific space, power, performance and other needs of its customers. Gedera's heat transfer components are marketed worldwide for applications in commercial and military aircraft and electronic systems, the primary users of such equipment. Gedera's customers include Liebherr-Aerospace Toulouse S.A., or Liebherr, Boeing McDonnell Douglas Aerospace, or Boeing, Israel Aircraft Industries, or IAI, and Cessna Aircraft Company, or Cessna, Cirrus Aircraft Inc., or Cirrus, Pilatus Aircraft Ltd, or Pilatus, Embraer Empresa Brasileira de Aeronáutica S.A., or Embraer, as well as the United States Air Force and Navy. Such customers typically enter into supply contracts with Gedera pursuant to which Gedera manufactures specified heat transfer components in connection with the customers' production or retrofitting of particular aircraft equipment. Such supply contracts are generally long term engagements that may have terms of ten years or more.

As part of its OEM activities, Gedera is also engaged in the design, development and manufacture of complete environmental control systems and cooling systems. This product line principally includes ground cooling systems (used in military facilities, tents, vehicles and other military applications) and Vaport Cycle air conditioning systems (or ECS — Environmental Cooling Systems) used in light aircrafts.

In addition, Gedera designs, develops and manufactures aviation and flow control accessories. These accessories include fuel components, such as valves and pumps, secondary power systems, various instrumentation and electronic assemblies. Customers for Gedera's aviation accessories include Lockheed-Martin Corp, Teledyne Continental Motors, the Israeli Air Force, IAI, as well as the United States Air Force and Navy.

Gedera relies on highly qualified personnel and strong engineering, development and manufacturing capabilities that enable it to support its customers from the early stages of development of their product and system specifications.

TAT estimates the size of the markets in which Gedera operates to be significant based on the scope of development projects and purchasing processes of its customers. Many of the projects Gedera is engaged in are lengthy and complex, which account for its long term supplier relationships and the customer loyalty it enjoys. TAT plans to expand its Gedera operations in the OEM segment, among other things, by transitioning from the manufacture of stand alone components to the development and manufacture of complete systems.

Gedera also provides limited MRO services for military and commercial customers, mainly for aviation accessories as well as for certain heat transfer components. Gedera currently overhauls emergency power systems, hydrazine tanks, jet fuel starters, and cooling turbines and valves for F-16's. In addition, Gedera overhauls anti-icing valves and starters for the Apache helicopter. Customers for Gedera's MRO services include the Israeli Air Force, IAI, NATO, as well as the United States Air Force and Navy.

OEM of Electric Motion Systems

Through its subsidiary, Bental, TAT is also an OEM of a wide range of innovative electric motion systems for the defense, aerospace and industrial markets. Bental designs and manufactures high performance, high precision motion systems and sub-systems that operate under challenging conditions. Bental specializes in innovative motion technologies such as brush and brushless motors, permanent magnet generators, electronic drivers and controllers, servo actuators, stabilized payload systems and more. Bental's products are integrated into various platforms and applications, including turret and gun control systems for armored fighting vehicles (AFVs), unmanned armed vehicles (UAVs), missiles, jet engines, cryogenic coolers for thermal imaging systems, optical systems, rotational drives for large antennae pedestals and more.

Bental is a certified supplier to IAI, Rafael, Raytheon, Elbit Systems, Pall Aeropower, Kodak (Creo), IBM, Galileo Avionica and others. Bental targets both the military and the commercial markets. Bental's customers include military forces, defense industries, commercial manufacturers of military equipment, commercial airlines, aircraft manufacturers, and other manufacturers of machinery. Bental targets the market for aviation applications and the market for ground applications. TAT estimates the size of Bental's market for its products to be significant based on the scope of development projects and purchasing processes of its customers. Many of the projects Bental is engaged in are lengthy and complex, which account for its long term supplier relationships and the customer loyalty it enjoys.

Bental's products have to comply with severe performance requirements, environmental conditions, quality assurance and industry standards. Bental usually manufactures relatively small series of products, custom designed for specific customer orders. Bental's products are designed either of its own initiatives or pursuant to customer specifications. Bental relies on highly qualified personnel and strong engineering, development and manufacturing capabilities that enable it to support its customers from the early stages of development of their product and system specifications.

Bental plans to expand its OEM operations, among other things, by transitioning from the manufacture of stand alone components to the development and manufacture of complete systems.

Maintenance, Repair and Overhaul (MRO) Services

Through its subsidiary, Limco, TAT also provides MRO services to the aerospace industry. Limco's FAA certified repair stations provide aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military. Limco specializes in MRO services for components of aircraft, such as heat transfer components, APUs, landing gear and pneumatic ducting. Generally, manufacturer specifications, government regulations and military maintenance regimens require that aircraft components undergo MRO servicing at regular intervals or as necessary. Aircraft components typically require MRO services, including repairs and installation of replacement units, after three to five years of service or sooner if required. Aircraft manufacturers typically provide warranties on new aircraft and their components and subsystems, which may range from one to five years depending on the bargaining power of the purchaser. Warranty claims are generally the responsibility of the OEM during the warranty period. Limco's business opportunity usually begins upon the conclusion of the warranty period for these components and subsystems. Limco's customers include major US domestic and international airlines, air cargo carriers, maintenance service centers, commercial and military aircraft manufacturers and defense contractors and the U.S. government (Army and Air forces). Such customers typically enter into MRO contracts with Limco which are generally long term engagements that may have terms of one to ten years or more.

Limco is licensed by leading OEMs of aerospace products to provide MRO services for their systems. For example, Limco is licensed by Hamilton Sundstrand, to provide MRO services for all of its air-to-air heat transfer products and by Honeywell to provide MRO services for three of its APU models. Limco's repair stations are certified by the FAA and the European Aviation Safety Agency, or EASA. In addition to its MRO services, Limco also manufactures heat transfer equipment used in commercial, regional, business and military aircraft, complete environmental control systems and cooling systems for electronics.

Business Strategy

TAT's principal strategy is as follows:

Enhancing OEM Capabilities — TAT, through Gedera and Bental, intends to capitalize on its technical expertise, experience and reputation in the markets of heat management solutions and electrical motion systems, to expand the scope of its OEM offerings both in the airborne and ground segments, for the commercial and defense industries. TAT also intends to transition from the manufacture of single components to the development and manufacture of complete systems.

Expand the scope of MRO services - TAT's goal is to use its technical expertise, engineering resources and facilities to provide MRO services for additional types of aircraft and additional aircraft systems, subsystems and components and intends to develop the required technical expertise to provide these additional MRO services.

Increasing Market Share — TAT plans to continue its aggressive marketing efforts for new customers as well as to enhance its activities with its flagship customers. As part of TAT's efforts to achieve greater penetration in the international markets, TAT intends to expand its marketing presence in Western Europe, which is TAT's second largest market, and to substantially increase its presence in Asian and South American nations, which are fast growing markets where TAT has had limited sales to date.

Effective synergy among group members — TAT plans to enhance the synergies between its various businesses by, among other things, using Gedera's OEM design capabilities to provide Limco enhanced capabilities to repair heat exchanger systems and components, enabling Limco to compete more effectively in the industry and by supplying to Limco heat exchanger components which should enable Limco to reduce prices on cores. In addition, TAT believes that its acquisition of Bental provides it significant growth potential and plans to capitalize on its affiliation with Bental by penetrating new markets such as the market for ground base systems and introducing technologically innovative products to its existing customers.

Organic growth and M&A — In addition to growing the existing businesses of Gedera, Limco and Bental, TAT also believes that additional acquisition opportunities exist that will complement its OEM and MRO businesses. TAT will continue to pursue targeted complementary business acquisitions which will broaden the scope and depth of its OEM and MRO operations and increase its market share.

Products and Services

OEM of Heat Transfer Products

Through its Gedera's subsidiary, TAT manufactures a wide range of heat transfer components used in aircraft, air conditioning systems, complete environmental control systems and cooling systems for electronics for military uses. These parts are manufactured in compliance with all of the stringent quality assurance standards that apply to the manufacture of aircraft parts. Gedera's quality systems comply with ISO 9001, AS9100, Boeing quality systems approval D6-82479 and FAR 21.303 (the FAA standard for Parts Manufacturer Approval).

Heat transfer components

Gedera manufactures a wide range of heat transfer components. Gedera specializes in the design and manufacturing of highly efficient, compact and reliable heat transfer components that are designed to meet stringent constraints such as size, weight and applicable environmental conditions. Heat transfer components, such as heat exchangers, precoolers, evaporators, oil coolers and cold plates, are integral components of a wide variety of environmental control systems and mechanical and engine systems, as well as a wide range of electronic systems. These systems generate heat during operation that must be removed and dissipated. Heat transfer components facilitate the exchange of the heat created through the operation of these systems by transmitting the heat from a hot medium (air, oil or other fluids) to a cold medium for disposal.

In the aerospace industry, there is a constant need for improvements in performance, weight, cost and reliability. In addition, as electronic systems become smaller and more densely packed, the need for sophisticated and efficient heat transfer components to provide the cooling functions becomes more critical. Using Gedera's technological expertise, TAT believes it is well positioned to respond to these industry demands through continued new product development and product improvements.

Gedera's principal heat transfer components products include air-to-air heat exchangers and precoolers and liquid-to-air heat exchangers. Typically, the air-to-air heat exchangers and precoolers cool a jet engine's hot "bleed air" which, when cooled, is then used in the aircraft's air conditioning, pressurization and pneumatic systems. The liquid-to-air heat exchangers cool liquids such as engine oil, hydraulic oil and other liquid coolants used in other systems.

Gedera provides one to all of the different types of heat transfer components in certain aircraft. Wide body planes generally require seven different types of heat transfer components, while regional aircraft and helicopters contain approximately three types. Gedera's heat exchangers and precoolers are generally sold for between \$1,000 and \$20,000 per unit. A substantial portion of Gedera's heat transfer components are sold to customers in connection with the original manufacture or retrofitting of particular aircraft equipment. Gedera generally enters into long-term supply contracts with its customers, which require Gedera to supply heat transfer components as part of a larger project.

Gedera also manufactures heat dissipation equipment, such as evaporators, cold plates, cooling chests, heat sinks and cold walls (which may be air-to-air, liquid-to-air or liquid-to-liquid), which control and dispose of heat emitted by the operation of various electronic systems. These heat dissipation products are currently utilized mainly in radar systems, avionics, electronic warfare systems and various pods for targeting, navigation and night vision.

Gedera's customers for heat transfer components include: Liebherr, Boeing, IAI, Cessna, Bell Helicopter, or Bell, and Raytheon Aircraft Company, or Raytheon, as well as the United States Air Force and Navy. As a result of the specialized nature of the systems in which Gedera's parts are included, spare and replacement parts for the original heat transfer systems are usually provided by Gedera.

Aviation and flow control accessories

Gedera is also engaged in the design, development and manufacture of aviation and flow control accessories. These accessories include fuel component systems, such as valves and pumps, secondary power systems, various instrumentation and electronic assemblies. Gedera's customers for the design, development and manufacture of aviation and flow control accessories include Lockheed-Martin, Boeing, Teledyne, the Israeli Air Force, IAI, as well as the U.S. Air Force and Navy.

Cooling and air-conditioning systems

Gedera is also engaged in the design, development and manufacture of complete environmental control systems and cooling systems. This product line includes ground cooling systems used in military facilities, tents, vehicles and other military applications. It also includes Vapor Cycle air conditioning systems (or ECS — Environmental Cooling Systems) used in light aircraft. Gedera offers mobile cooling and air conditioning solutions for military applications such as mobile command and control units, command and control vehicles, armored vehicles, mobile broadcast units, mobile hospitals, etc. In addition, Gedera offers air conditioning systems for light airplanes and helicopters, either as part of the development process of new aircraft or as an upgrade for existing aircraft. Gedera designs, develops and manufactures the air conditioning systems based on customer specifications, while providing a complete engineering solution in compliance with strict military and civil standards. Gedera's systems are used for military applications in Israel and abroad and are tested under strict standards and in battle field proven conditions.

OEM of Electric Motion Systems

TAT conducts significant OEM operations in the area of Electric Motion System through its Bental subsidiary in Israel. Bental designs, develops and manufactures a wide range of innovative motion systems and other electro-mechanical solutions for the defense, aerospace and industrial markets. Bental's primary product lines are electric motors, actuators and alternators, and include the following list of products: customized electrical motors, alternators, drivers, actuators, stabilized payload control systems, propulsion motors, starter generators, blowers, turret & gun control system motors and more. Such products are integrated into various platforms and applications such as turret & gun control systems and other systems of military ground vehicles, unmanned aerial vehicle (UAV's), missiles, jet engines, cryo-coolers for thermal imaging systems, optical systems, rotational drives for large antennae pedestals, medical equipment, semi conductor industry process, testing and quality assurance equipment, large printing machines and diamond polishing spindles. Bental's customers include IAI, Rafael, Raytheon, Elbit Systems, Pall Aeropower, Kodak (Creo), IBM, Galileo Avionica and others. Bental's products are manufactured based on customer specifications, often with special performance requirements which are suited for extreme environmental conditions for military and commercial applications. Bental's products are manufactured in compliance with ISO 9001-2000 and are subject to strict quality control and inspection procedures that are carried out through all steps of design and manufacture.

Electric Motors

Bental develops, designs and manufactures different types of electric motors for use in an array of motion systems which are designed to comply with special performance requirements and be suitable for extreme environmental conditions for military ground equipment and remote-piloted vehicle applications. Bental also develops, designs and manufactures electric motors for special uses for customers in the commercial segment. In addition, Bental provides maintenance and repair services for the equipment manufactured by it. Bental also imports mass produced motors in large quantities pursuant to special orders from its customers in Israel.

Actuators

Bental develops, designs and manufactures an array of actuators for unmanned aerial vehicles and remote-piloted vehicle and other aerospace applications, to comply with special performance requirements and extreme environmental conditions.

Bental's Rotary Servo Actuator (RSA) systems are developed with tactical UAV manufacturers in mind. The RSA systems are high performance, low-weight compact servo actuators used for various aviation and UAV applications. The systems include motor, reduction gear, feedback sensor and electronic servo control & amplifier.

Alternators

Bental develops, designs and manufactures different types of alternators for automatic pilot and other military applications, to comply with special performance requirements and extreme environmental conditions.

The product line of brushless direct current alternators is based on rare earth magnet technology. The systems are capable of supplying very high power. The alternator product family is designed to serve aerospace and other defense applications. Bental's systems are comprised of the alternator and Generator Control Unit (GCU).

Limco's Maintenance, Repair and Overhaul (MRO) Services

MRO Services

The demand for MRO services is driven by the size and age of the aircraft fleet, aircraft utilization and regulations by the FAA and other governmental authorities.

Due to the increased maintenance costs of their aging fleets many carriers are seeking ways to reduce costs, minimize down-time, increase aircraft reliability and extend time between overhauls. One of the ways they are accomplishing these goals is through the outsourcing of more of their maintenance and support functions to reliable third parties. Limco also believes that commercial carriers who have made the decision to outsource their MRO requirements are searching for MRO service providers with a wide-range of service capabilities. These MRO service providers allow the carriers to concentrate their outsourcing of MRO services to a select group of third party providers. The global military aircraft fleet also presents similar opportunities for MRO service providers. Recent military operations around the world have significantly increased usage of the global military aircraft fleet and resulted in a higher rate of maintenance activity. Limco believes that an aging military fleet and the increased use of upgrade programs aimed at extending the useful life of aircraft will provide continued MRO growth opportunities.

Limco specializes in the repair and overhaul of heat transfer components, APUs, landing gear and pneumatic ducting. Heat transfer components are devices that efficiently transfer heat from one fluid to another or from hot air to colder air in various cooling systems and are essential components of an aircraft. These components include heat exchangers, oil coolers, pre-coolers, re-heaters, condensers, water separators and evaporators. APUs are relatively small, self-contained generators used to start jet engines, usually with compressed air, and to provide electricity, hydraulic pressure and air conditioning while an aircraft is on the ground. In many aircraft, an APU can also provide electrical power during in-flight emergency situations.

Limco is continually increasing its MRO capabilities based upon market need or customer request. Limco's capabilities include components used in aircraft manufactured by the following aircraft manufacturers:

Airbus	Fairchild
ATR	Fokker
Boeing	General Dynamics
Bombardier	Gulfstream
British Aerospace	Lockheed Martin
Cessna	Raytheon
Embraer	SAAB
Shorts	

One of Limco's operational strengths and competitive advantages is the close cooperation with TAT's Gedera facility. Through Gedera's core manufacturing capabilities and engineering expertise, Limco enjoys a constant supply source of cores of the highest quality necessary in order to performing its MRO services for Heat Exchangers. In addition Limco benefits from Gedera's vary engineering capabilities relevant to Limco's Heat Transfer services.

During 2009 Limco performed MRO services at its repair stations in Oklahoma and North Carolina, all of which are AS9001 certified and licensed by the FAA and EASA to provide MRO services. Limco's Oklahoma facilities provided MRO services for heat transfer components and pneumatic air-handling ducting. Limco's North Carolina facilities, which were recently ISO 9001 certified, provide MRO services for APUs and landing gear.

Limco offers MRO services for heat transfer components to its customers on multiple levels. If the damage is significant, Limco will remanufacture the unit, which generally entails replacing the core matrix of the damaged or old heat transfer product in lieu of replacing the entire unit with a new one. Limco designs and develops these customized remanufactured units as a cost effective alternative to new part replacement. In the event of less severe damage, Limco will either overhaul or repair the unit as necessary. Re-manufactured units carry warranties identical to those provided to new units.

Limco specializes in providing fast and efficient quality repair and overhaul of pneumatic air-handling ducting that is used in airframes, air conditioning systems, anti-icing systems, APUs, engines and exhaust systems. Limco also specializes in providing MRO services for four APU models manufactured by Honeywell and in providing MRO services for landing gear for regional aircraft manufactured by Bombardier Canadair Regional Jet, ATR, British Aerospace Jet Stream and Bombardier Dash 8.

OEM Authorizations and Licenses

Limco believes that establishing and maintaining relationships with OEMs is an important factor in achieving sustainable success as an independent MRO service provider. OEMs grant participants in the overhaul and repair services market authorizations or licenses to perform repair and overhaul services on the equipment they manufacture. OEMs maintain tight controls in order to maintain high quality of service to their customers, and generally grant very few authorizations or licenses. Obtaining OEM authorizations requires sophisticated technological capabilities, experience-based industry knowledge and substantial capital investment. Limco believes that service providers that have received OEM authorizations and licenses gain a competitive advantage because they typically receive discounts on parts, technical information, OEM warranty support and use of the OEM name in marketing. Limco is an independent MRO service provider that is licensed by Hamilton Sundstrand, the largest heat transfer equipment manufacturer, for its air-to-air heat transfer equipment in North America and is also licensed by Honeywell, the largest manufacturer of APUs, for four of its APU models.

Each of the authorizations or licenses that Limco has with OEMs is in the form of a contractual arrangement. Some of these contracts require Limco to pay an authorization fee to the OEM and, in some cases, Limco is also required to pay annual authorization fees and royalties, or to fulfill other conditions set by the OEM. None of Limco's material authorizations or licenses expires prior to 2011 except that its OEM licenses from Honeywell will expire in June 2014.

OEM Capabilities

In addition to its MRO services, Limco also acts as an OEM manufacturer of precision parts for the aircraft, electronics, industrial, government and commercial markets. Limco manufactures heat transfer components used in commercial, regional, business and military aircraft, air conditioning systems, complete environmental control systems and cooling systems for electronics. Limco currently offers approximately 80 OEM parts to the aerospace industry. These parts are manufactured in compliance with the stringent quality assurance standards that apply to the manufacture of aircraft parts such as Bell, L3, Vought Aircraft and Raytheon. Limco's quality systems are ISO 9001 certified and Limco has both Boeing quality systems approval D6-82479 and FAR 21.303 (the FAA standard for Parts Manufacturer Approval).

Limco specializes in the design and manufacturing of highly efficient heat transfer components, which are designed to meet stringent constraints such as size, weight and applicable environmental conditions. These units include heat exchangers, oil coolers, pre-coolers, re-heaters, condensers, fuel heaters and evaporators.

Customers

General

TAT targets both the commercial and military markets. Our customers include commercial manufacturers of military equipment, commercial airlines, aircraft manufacturers, military forces, defense industries, and other manufacturers of electronic systems, aviation units and machinery in the U.S., Europe and Israel.

Major Customers

OEM Customers -

TAT provides, primarily through Gedera and Bental, OEM services worldwide to customers in the commercial, defense and industrial markets. TAT currently sells its OEM products and systems to approximately 200 commercial, military, aircraft manufacturers and defense contractors.

The development projects and purchasing processes of many of TAT's OEM customers are lengthy and complex and accordingly, involve long term supply contracts with several of its material customers. These agreements provide for delivery schedules that are customized for the relevant product or service. With some of its customers, TAT enters into master purchase orders in which the anticipated supply quantities as well as the prices for the supplied products are determined for a certain period, and the actual purchase orders are fulfilled based on customer demands from time to time. In addition, TAT also enters into master agreements that determine supply quantities and prices for a set period, but under which the customer is not obligated to purchase any quantity of products.

MRO Customers –

TAT services approximately 600 MRO customers, primarily through Limco, including major US domestic and international airlines, air cargo carriers, maintenance service centers and the military. Limco's aerospace OEM customers include over 30 commercial and military aircraft manufacturers and defense contractors and the U.S. government. Limco's customers also include Boeing, Bell, Bombardier, L3, Vought Aircraft and Raytheon. Limco is not a party to any OEM manufacturing contracts, and acts solely upon orders received from Limco's customers.

TAT has a large and diverse customer base and therefore, TAT believes that the termination by any one or more of its material customers of their relationship with TAT will not materially affect TAT's results of operations. Due to the long term relationships of TAT with many of its customers, their relative financial stability and their high level of loyalty to TAT, TAT anticipates that the risk of customer terminations is low. TAT also makes significant efforts to penetrate new markets and to broaden their customer base in order, among other things, to reduce the risk of relying on a small number of customers.

Military Contracts

Sales to the U.S. and Israeli governments accounted for approximately 2.5% and 2.1% of TAT's revenues for the year ended December 31, 2009, 5.0% and 0.6% of its revenues for the year ended December 31, 2008 and 4.4% and 1.1% of its revenues for the year ended December 31, 2007, respectively.

Many of TAT's contracts are competitively bid and awarded on the basis of technical merit, personnel qualifications, experience and price. TAT also receives some contract awards involving special technical capabilities on a negotiated, noncompetitive basis due to TAT's technical capabilities.

TAT provides products under government contracts that usually require performance over a period of several months to several years. Long-term contracts for the U.S. military may be conditioned upon continued availability of congressional appropriations. Variances between anticipated budget and congressional appropriations may result in a delay, reduction or termination of these contracts.

The vast majority of the governmental contracts to which TAT is party to are fixed-price contracts. Under these contracts TAT agrees to perform specific work for a fixed price and, accordingly, realizes the benefit or detriment to the extent that the actual cost of performing the work differs from the contract price. The allowable government contract costs and fees of TAT are subject to audit and may result in non-reimbursement of some contract costs and fees. While governments reserve the right to conduct further audits, audits conducted for periods through fiscal year 2009 have resulted in no material cost recovery disallowances for TAT.

The eligibility of TAT to perform under their government contracts require TAT to maintain adequate security measures. TAT have implemented security procedures that they believe adequately satisfies the requirements of their current government contracts.

Sales and Marketing

Gedera

Gedera derives its revenues mainly from sales to customers in the United States, Israel and Europe. The below table details Gedera's geographic revenues for the years ended December 31, 2009 and 2008, before elimination of intercompany sales of \$5.2 million and \$5.9 million, respectively.

Geographic Region	Year Ended December 31,					
	2009			2008		
	Revenues In Thousands Unaudited	Percentage		Revenues In Thousands Unaudited	Percentage	
North America	\$11,349	39.7	%	\$13,836	49.7	%
Europe	5,438	19.0		5,241	18.8	
Israel	9,707	33.9		7,607	27.3	
Asia	-	-		1,173	4.2	
Other	2,123	7.4		-	-	
Total	\$28,617	100	%	\$27,857	100	%

Bental

Bental derives its revenues mainly from sales to customers in Israel. The below table details Bental's geographic revenues for the years ended December 31, 2009 and 2008.

Sources of Revenues	Year Ended December 31,					
	2009			2008*		
	Revenues in Thousands Unaudited	Percentage		Revenues In Thousands Unaudited	Percentage	
North America	\$969	8.6	%	\$273	0.8	%
Europe	350	3.1		807	2.5	
Israel	9,907	87.5		30,908	96.2	
Other	95	0.8		164	0.5	
Total	\$11,321	100	%	\$32,152	100	%

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- Bental's results of operations were consolidated commencing August 2008, following which only \$9,758 were included in TAT's consolidated financial statements for year 2008; A significant portion of Bental's 2008 revenues were generated from one customer. During 2009 revenues from this customer were significantly reduced.

Limco

Limco derives its revenues mainly from sales to customers in the US and Europe. The below table details Limco's geographic revenues for the years ended December 31, 2009 and 2008, respectively.

Sources of Revenues	Year Ended December 31,					
	2009			2008		
	Revenues in Thousands Unaudited	Percentage		Revenues In Thousands Unaudited	Percentage	
North America	\$34,043	70.4	%	\$49,448	69.1	%
Europe	10,767	22.3		13,980	19.5	
Israel	95	0.2		-	-	
Asia	-	-		3,324	4.6	
Other	3,435	7.1		4,813	6.8	
Total	\$48,340	100	%	\$71,565	100	%

Gedera, Bental and Limco market their products and services through their respective marketing staffs and a worldwide network of independent representatives. Gedera's, Bental's and Limco's representatives are strategically located near key customer sites in offices throughout the United States, Europe, the Middle East, Asia and South America. Their staff is in regular contact with engineering and procurement personnel and program managers of existing and target customers to identify new programs and needs for their products, obtain requests for quotations and identify new product opportunities. Gedera's, Bental's and Limco's marketing activities also include advertising in technical publications which target heat transfer components and related markets, attending exhibitions, trade shows and professional conferences, organizing seminars and direct mailing of advertisements and technical brochures to current and potential customers and advertising in technical publications which target relevant products and related markets.

Backlog

On December 31, 2009, TAT had a backlog of approximately \$47 million for products. TAT anticipates that approximately \$35.5 million of such backlog will be delivered by December 31, 2010 and approximately \$11.5 million will be delivered by December 31, 2011 and thereafter.

Product and Service Warranties

TAT provides warranties for its products and services ranging from one to five years, which vary with respect to each contract and in accordance with the nature of each specific product. To date, TAT's warranty costs have not been substantial. As of December 31, 2009, the combined warranty reserve for TAT was \$401,000.

Competitive Environment

OEM of Heat Transfer Products -

The aerospace and defense OEM industries in general and specifically, the commercial and military markets, are characterized by intense competition and the need to constantly be in the forefront of technological innovations in order to be able to offer advanced and attractive products. Competition in these OEM markets is also based on price, quality and turn-around time. TAT estimates the size of Gedera's market to be significant based on the scope of development projects and purchasing processes of the potential customers. TAT estimates that due to the high barriers to entry to the aerospace and defense OEM industries, which include the need for highly qualified and trained personnel, technologically advanced facilities and the need to obtain appropriate governmental approvals, there are a small number of competing suppliers in the markets in which it operates. The nature of the projects in the OEM industry, which are often time consuming and complex also require long term supplier relationships and customer loyalty in order to succeed.

Gedera's competitors in the global OEM aerospace and defense industries can be divided into two main groups;

Complete system manufacturers that either independently or through subcontractors, manufacture components (such as heat exchangers) for the complete system they manufacture. These companies will compete with Gedera on projects where the components Gedera develops are part of the complete system (such as an aircraft air conditioning system), but it is unlikely that such companies will compete with Gedera in projects where there is a specific requirement for a stand-alone component.

Component manufacturers for which the manufacture of components (such as heat exchangers) is the main business (and which are normally placed in the "value chain" one level below the system manufacturers). These companies will usually not compete with Gedera on projects for complete products or systems in which their manufactured component constitutes a small part of the complete product or system, mainly due to their inability to move up the "value chain" from a component supplier to a whole system manufacturer. These companies are likely to compete in projects where there is a specific requirement for a stand alone aviation component (such as a heat exchanger) and in tenders by manufacturers of complete systems or products for sub-contractors.

The major competitors of Gedera in the area of OEM of Heat Transfer products include manufacturers in the U.S. such as Honeywell, Hughes-Treitler division of Ametek Inc., Lytron Inc., Kintex, Niagra Thermal, Hamilton Sundstrand, Stewart Werner South Wind Corp., United Aircraft Products and Triumph Thermal Systems, manufacturers based in Europe such as I.M.I. Marston Ltd., Dunlop Aerospace (including Serck Aviation) and manufacturers based in Asia such as Sumitomo Precision Products from Japan. Such competitors may enjoy competitive advantages over Gedera, such as:

The ability to adapt more quickly to changes in customer requirements and industry conditions or trends;

Greater access to capital;

Stronger relationships with customers and suppliers;

Better name recognition; and

Access to superior technology and marketing resources.

OEM of Electrical Motion Systems -

The market in which Bental operates is highly competitive and is characterized by large customers that are related to the defense and/or aerospace ministries in their countries. Bental's market is also subject to strict import and export regulations and to the budgetary constraints imposed by the governments of such countries. Bental is required to constantly be at the forefront of technological innovations in order to be able to offer advanced innovative products to its customers. Bental's operations require highly qualified and trained engineering, manufacturing, information and quality assurance personnel.

An analysis of the market participants in the global market of electric motion systems shows that it is comprised mainly of large companies that provide standard products and a small number of companies that provide special customized solutions. With respect to the markets outside Israel, the providers of the systems in which Bental's products are integrated tend to prefer local manufacturers for the purchase of the components and therefore, the penetration of these markets requires product innovation. In the Israeli market, the competition is mainly against imported components. Bental's major competitors in this segment are: for electric motors - Danaher Motion — Kollmorgen (USA), Artus Pacific Scientific (Europe), Moog Components Group (USA) Aveox (USA), Ametek (USA), ICPE (Europe); For actuators - Kearfott Corp. (USA), Moog Components Group (USA), Pegasus Actuators (Europe), M.T.C Ltd. (Israel); For Alternators - Sullivan Products (USA), Prestolite (USA), Sermat (Europe).

MRO Services -

The market for MRO services, in which Limco operates, is highly competitive. Competition in this market is based on quality, price, and the ability to provide a broad range of services and to perform repairs and overhauls rapidly. Limco's primary MRO services competitors are the service divisions of OEMs, the in-house maintenance services of a number of commercial airlines and other independent service providers. For heat transfer component MRO services Limco's major competitors are the LORI Heat Transfer Center of Honeywell and SECAN-Honeywell (France). For APU and Landing Gear MRO services Limco's major competitors are Standard Aero Group Inc., Aerotech International Inc., Honeywell, Alameda Aerospace, JetSet Aerospace LLC, Messier-Dowty Aerospace (MD), AAR Corp., Hawker Pacific and APRO. For Limco's OEM heat transfer equipment, its major competitors are other OEMs who manufacture heat transfer equipment, including the Hughes-Treitler division of Ametek Inc., Lytron Inc., Hamilton Sundstrand and Honeywell.

A number of Limco's competitors have inherent competitive advantages. For example, Limco competes with the service divisions of large OEMs who in some cases have design authority with respect to their OEM products and are able to derive significant brand recognition from their OEM manufacturing activities. Limco also competes with the in-house service divisions of large commercial airlines and there is a strong incentive for an airline to fully utilize the services of its maintenance employees and facilities. Further, Limco's competitors may have additional competitive advantages, such as:

The ability to adapt more quickly to changes in customer requirements and industry conditions or trends;

Greater access to capital;

Stronger relationships with customers and suppliers;

Better name recognition; and

Access to superior technology and marketing resources.

Competitive Strengths

We believe that TAT's success can be attributed to several critical factors, including the following:

Active efforts to preserve its customer base in existing projects, while actively making efforts to broaden and increase its engagements with such clients.

Conducting marketing activities geared at penetrating new geographical markets and obtaining new customers, while taking advantage of the unique knowledge and expertise that Gedera, Bental and Limco gained in various areas.

Entering into additional related operating segments that will enable Gedera, Bental and Limco to fulfill its growth potential.

Providing its customers with the best value, including competitive prices, by tailoring service packages that combine the design and planning of an OEM component, the manufacture of such component, and the provision of maintenance services.

Extending MRO capabilities in order to establish a 'one-stop-shop' center for comprehensive MRO services for the types of aircraft Limco targets.

Enhancing its engineering capabilities in order to support customer needs related to new projects and in order to certify MRO services that differ from processes previously approved by the FAA or ESAA. This will allow to shorten the long and complex approval process, streamline the design and certification process and reduce costs.

Constant search for new technologies and manufacturing techniques in the heat exchanger segment.

Innovations and improvements geared at enhancing the quality and performance of Gedera's, Bental's and Limco's existing products.

Cutting delivery times and reducing costs.

Entrepreneurship and innovation in the development of new products in an effort to become a market leader and to enter into long term platforms.

In addition, Bental provides TAT with the following additional unique competitive advantages:

Bental enhances TAT's ability to penetrate new markets such as the commercial aerospace market in addition to the military market, and the market for ground base systems in addition to the aerospace market.

Bental's entrepreneurial nature brings significant growth potential by introducing innovative and unique products such as stabilized payload systems.

Engineering and Manufacturing

As of December 31, 2009 TAT, employed 466 employees engaged in manufacturing, repair, and testing of products and in engineering (out of a total of 530 employees). TAT believes that its engineering staff provides it with the ability to support its customers with innovative and efficient products while maintaining short product development cycles, high quality design and competitive pricing.

Gedera's engineering staff has extensive knowledge and experience related to its heat transfer components. Most of Gedera's product lines have a designated project manager who is an experienced engineer and is in charge of all the activities in his area. The product manager interfaces with the customer, engineering department, manufacturing department and vendors, and is responsible for all aspects of the program including scheduling, adherence to specifications, customer support and reporting.

In general, Gedera has manufacturing capabilities for most of the components of its heat transfer components. Gedera also manufactures the necessary tools, fixtures, test equipment and special jigs required to manufacture, assemble and test these products. Gedera developed proprietary design techniques which assist in the mechanical design and manufacturing of its products. All of Gedera's products are inspected and tested by trained inspectors using highly sophisticated test equipment in accordance with customer requirements.

Bental's engineering staff has extensive knowledge and experience related to its electric motion systems. Most of Bental's product lines have a designated project manager who is an experienced engineer and is in charge of all the activities in his area. The product manager interfaces with the customer, engineering department, manufacturing department and vendors, and is responsible for all aspects of the program including scheduling, adherence to specifications, customer support and reporting.

Limco's engineering department supports its OEM activity and also enhances its ability to provide its customers with high-end top quality MRO services. Limco's engineering department employs seven certified mechanical and aerospace engineers, including a Designated Engineering Representative, or DER, certified by the FAA. Limco's multi-disciplinary team of engineers specializes in heat transfer components and supports all processes of thermal and structural analysis, mechanical and metallurgical research and development for manufacturing design. All of Limco's engineers have direct experience with aerospace component repair and have experience with the process of obtaining supplemental type certificates from the FAA and in obtaining FAA product manufacturing authorizations. Limco's onsite DER is certified by the FAA to approve the repair of engines, APUs, and mechanical systems and equipment, which enables Limco to respond quickly to its customers' needs. Having a DER on staff allows Limco to enter the market for a particular type of service more quickly than those of its competitors who do not employ a DER. Limco works directly with the FAA Aircraft Certification Office in obtaining approvals on projects that are outside its DER's authority.

Research and Development

The technological developments in the markets in which Gedera, Bental and Limco operate increase the need to constantly examine the use of new materials and technology in an effort to improve both the physical characteristics of the products (size, weight), as well as their performance (optimal heat transfer, higher reliability and increased lifespan). TAT tries to attain such technological improvements in cooperation with its customers.

Source and Availability of Raw Materials and Spare Parts

Gedera, Bental and Limco acquire most of the components for the manufacture of their products from a limited number of suppliers and subcontractors, most of whom are located in Israel and the United States. Certain of these suppliers are currently the sole source of one or more components upon which Gedera, Bental and Limco are dependent. Since many of Gedera's, Bental's and TAT's purchases require long lead-times, a delay in the supply of an item can significantly delay the delivery of a product. Generally, Gedera, Bental and Limco have not experienced difficulty in obtaining timely deliveries of necessary components. The raw materials used in Gedera's, Bental's and Limco's manufacturing programs are generally readily available metals and alloys. Gedera, Bental and Limco have not had any difficulty in obtaining such materials in the past and if they are unable to obtain these components when needed, Gedera, Bental and Limco would experience delays in manufacturing their products and their financial results could be adversely affected.

Gedera, Bental and Limco select their suppliers primarily based on their ability to ensure that their parts are serviceable and traceable to OEM-approved sources, their delivery performance and their ability to help reduce their total cost of procuring those parts. For quality control, cost and efficiency reasons, Gedera, Bental and Limco generally purchase supplies only from vendors with whom they have ongoing relationships or who their customers have previously approved.

Limco's authorizations from OEMs often require that Limco purchase component parts that are needed for its MRO services from the OEM or its designated distributors. Limco has an agreement with Honeywell under which Honeywell has agreed to sell Limco certain parts at a discount for a period of five years, ending May 31, 2014.

When deemed essential, Gedera, Bental and Limco have been and are investing efforts in order to qualify second sources or have identified alternate sources for many of its parts needs.

Israeli Export Policy

Exports of military related products are subject to the military export policy of the State of Israel. Current Israeli Government policy encourages exports to approved customers, provided that such exports do not run counter to Israeli policy or national security considerations. Gedera and Bental must obtain a permit to initiate a sales proposal and ultimately an export license for the transaction is required. Gedera and Bental may not be able to obtain export permits or licenses in the future. In addition, governmental policy with respect to military exports may be altered. However, to date Gedera and Bental have not encountered any significant difficulties in obtaining necessary permits or licenses for sale of their products.

Proprietary Rights

At the present time Gedera, Bental and Limco do not own any patents. Gedera, Bental and Limco rely on laws protecting trade secrets, and consider such items proprietary, but TAT believes that Gedera, Bental and Limco's success depends less on the ownership of such proprietary rights than on their innovative skills, technical competence marketing and engineering abilities. Gedera, Bental and Limco have no existing material registered trademarks.

B. Government Regulations

Aerospace and Safety Regulations

The commercial aerospace industry is highly regulated by the FAA in the United States, EASA in Europe, the Civil Aviation Authority in England and other governmental authorities elsewhere in the world, while the military aerospace industry is governed by military quality specifications established by the U.S. Department of Defense for the manufacturing and repair industries and ISO-9001. TAT is required to be certified by one or more of these entities and, in some cases, by individual OEMs. TAT must also satisfy the requirements of its customers, including OEMs and airlines that are subject to FAA regulations, and provide these customers with products that comply with the government regulations applicable to commercial flight operations. TAT believes it currently satisfies or exceeds these FAA maintenance standards in its repair and overhaul activities. Each of its repair stations is approved by the FAA.

TAT's operations are also subject to a variety of worker and community safety laws including the Occupational Safety and Health Act of 1970, known as OSHA, which mandates general requirements for safe workplaces for all US employees. In addition, OSHA provides special procedures and measures for the handling of certain hazardous and toxic substances. TAT believes that its operations are in material compliance with OSHA's health and safety requirements.

TAT believes that it is in material compliance with US governmental regulations affecting the aerospace and defense industry.

Israeli Regulations

TAT's operations in Israel are subject to supervision by the Ministry of Defense and Civil Aviation Administration. Gedera and Bental are certified by the Israeli Air Force and the Ministry of Defense for both manufacturing and maintenance. Gedera is also licensed as a repair station for certain components by the Israeli Civil Aviation Administration. In addition, Gedera's and Bental's export of certain products and/or know-how is subject to approval by The Foreign Defense Assistance and Defense Export Organization of the Israeli Ministry of Defense, known as SIBAT. Permits from SIBAT must be obtained for the initiation of sales proposals with regard to such exports, as well as for the actual export of such products.

Environmental Matters

TAT's operations are subject to a number of federal, state and local environmental laws in the United States, and to regulation by government agencies, including the U.S. Environmental Protection Agency. Among other matters, these regulatory authorities impose requirements that regulate the emission, discharge, generation, management, transportation and disposal of pollutants and hazardous substances. These authorities may require TAT to initiate actions to remediate the effects of hazardous substances which may be or have been released into the environment, and require TAT to obtain and maintain permits in connection with TAT's operations. This extensive regulatory framework imposes significant compliance burdens and risks.

Although TAT seeks to maintain its operations and facilities in compliance with applicable environmental laws, there can be no assurance that TAT has no violations, or that change in such laws, regulations or interpretations of such laws or in the nature of TAT's operations will not require TAT to make significant additional expenditures to ensure compliance in the future. Currently, TAT does not believe that it will have to make material capital expenditures for its operations to comply with environmental laws or regulations, or to incur material costs for environmental remediation during the 2010 fiscal year.

TAT has received no material third party environmental claims relating to its facilities, and TAT believes that it has all material licenses and certifications that are required in the jurisdictions in which it operates.

C. Organizational Structure

Isal Amlat is currently the beneficial owner of 53.7% of TAT's outstanding shares, 10.06% of such shares are held directly by it and 43.63% of such shares are held directly by TAT's parent company TAT Industries. Isal Amlat owns 79.3% of the outstanding shares of TAT Industries. Isal Amlat is 81.7% controlled by KMN Holdings Ltd., an Israeli company publicly traded on the Tel Aviv Stock Exchange.

On January 1, 2008, TAT established a wholly-owned subsidiary under the laws of the State of California, TAT-GAL Inc., which acts as purchasing agent for TAT's operations.

D. Property, Plants and Equipment

The Gedera facility is located in Park Re'em near Gedera. The Park Re'em's location houses TAT's executive offices, research and development and manufacturing operations and includes a 344,000 square foot facility. The land of this facility is leased from the Israeli Government pursuant to a lease that expires in 2016 with respect to one plot (237,000 square feet) and 2020 with respect the other plot (107,000 square feet). 43,000 square feet of the facility was assigned, but not registered, to TAT by TAT Industries in connection with TAT's acquisition of TAT Industries' heat exchanger operations in December 1991. TAT leases the remaining 301,000 square feet of the facility from TAT Industries pursuant to an agreement TAT entered into in connection with the purchase of the operations relating to the manufacture of aviation accessories of TAT Industries in February 2000. The agreement is for a period of 24 years and 11 months. From 2000 to 2004, TAT paid TAT Industries annual rental fees of approximately \$300,000 per year, with an additional incremental payment of 2% per year. The rental fee is subject to revaluation every fifth year. In 2005 the rental fee was reviewed by a real estate appraiser, and as a result was increased to \$310,000 per year with an additional incremental payment of 2% per year. Total rental payment TAT paid to TAT Industries during 2009 was \$335,000. The rental fee will be subject to an increase in 2010. TAT is entitled to a one-time right of termination of the agreement after ten years.

The operations of Bental, are conducted in Kibbutz Marom-Golan. The Marom-Golan location includes a 54,000 square feet facility that houses Bental's offices, research and development and manufacturing operations. Total rental payment Bental paid in 2009 was \$55,000.

Limco owns and operates a 55,000 square feet manufacturing plant in Tulsa, Oklahoma which has historically supported both its OEM business and its aftermarket heat transfer component repair station. This facility also has housed Limco's administration, engineering, quality control and support services. Limco also leases an additional 9,000 square feet repair station adjacent to its Tulsa manufacturing plant which has supported its heat transfer component and pneumatic ducting MRO services.

Limco leases approximately 56,000 square feet space for its facility in Kernersville, North Carolina. In 2009, the annual rental expense for this property was \$69,000. The lease, which expires on November 1, 2011, provides for two renewal options, each for a five year term.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

Operating Results

The following discussion of our results of operations should be read together with our consolidated financial statements and the related notes, which appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our current plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this annual report.

Overview

TAT provides a variety of services and products to the aerospace and defense industries under three operational segments: (i) OEM of Heat Transfer Products (ii) OEM of Electric Motion Systems; and (iii) MRO services.

TAT's activities in the field of OEM of Heat Transfer products primarily relate to its Gedera facility and includes the (i) design, development, manufacture and sale of a broad range of heat transfer components (such as heat exchangers, pre-coolers and oil/fuel hydraulic coolers) used in mechanical and electronic systems on-board commercial, military and business aircraft; and (ii) manufacture and sale of environmental control and cooling systems and (iii) a variety of other electronic and mechanical aircraft accessories and systems such as pumps, valves, power systems and turbines.

TAT's activities in the field of OEM of Electric Motion Systems primarily relate to its subsidiary, Bental, and includes the design, development, manufacture and sale of a broad range of electrical motor applications for airborne and ground systems. TAT activities in this segment commenced with the acquisition of Bental in August 2008.

TAT's MRO services primarily relate to its subsidiary, Limco, and include the maintenance, repair and overhaul of heat transfer equipment and other aircraft components, APUs, and landing gear. Limco operates FAA certified repair stations, which provide aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military.

TAT's Parts services division, operated as an operational segment until December 4, 2009, focused on inventory management and sale of APU parts, propellers and landing gear. On December 4, 2009, TAT sold its propellers MRO business parts services segment to FAvS (See "Item 4 – Information of the Company; History and development of TAT").

TAT is reliant on the commercial and military aviation and defense industries. Any downturn in these industries could decrease demand for its services and products and negatively impact its financial condition. The commercial airline industry is cyclical and has historically been subject to fluctuations due to general economic and political conditions, such as fuel and labor costs, price competition, downturns in the global economy and national and international events.

TAT's revenues from OEM operations generally have higher gross margins than from MRO services which generally have higher gross margins than parts services, where the historical gross margins are generally lower. Respectively, the manufacture of OEM products require higher level of expertise, associated labor and initial investments than does the provision of MRO services and of parts services.

TAT's cost of revenues for OEM operations and MRO services consists of component and material costs, direct labor costs, shipping expenses, royalties, overhead related to manufacturing and depreciation of manufacturing equipment. TAT's cost of revenues for parts services consisted primarily of the cost of the parts and shipping expenses. TAT's gross margin is affected by the proportion of its revenues generated from each of its operational segments.

The principal factors that affect the operating income of TAT's three segments in addition to their gross profit, is the amount TAT expends for selling and marketing expenses and general and administrative expenses. TAT believes that these operating expenses may increase in the future in accordance with its plans to grow the business of these segments.

TATs' research and development expenses are related to new products and technologies, primarily within the OEM operations in Israel, and became relatively material during year 2009 and thereafter.

TAT's selling and marketing expenses for all its operational segments decreased during past year, following a continuance growth during prior years due to TAT's efforts to grow these business segments. TAT believes that its selling and marketing expenses may increase in the future in accordance with its plans to grow the business of these segments.

TAT's general and administrative expenses have decreased during past year, following a continuance growth during prior years, primarily as a result of costs associated with recent M&A transactions (see further below) and the retirement of old management team. TAT believes that its general and administration expenses may increase in the future in accordance with its plans to grow the business of these segments.

In July 2005, Limco acquired Piedmont for approximately \$20.2 million, which included \$5.3 million in cash and the assumption of approximately \$8.7 million of bank indebtedness and \$5.6 million of other liabilities of Piedmont. The acquisition was accounted for using the purchase method of accounting as determined in the relevant accounting standards and accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed based on the estimated fair value at the date of acquisition.

In July 2007, Limco completed an initial public offering of its shares of common stock. In connection with the initial public offering, Limco sold an aggregate amount of 4,205,000 shares of its common stock (including over allotment option shares) and TAT sold an aggregate amount of 855,000 shares of Limco's common stock held by TAT (including over allotment option shares), at a price to the public of \$11.00 per share. Net proceeds to Limco from the offering were approximately \$41.5 million and net proceeds to TAT from the offering were approximately \$8.7 million. As a result, TAT recognized a net capital gain of approximately \$26.4 million net of taxes of \$1.5 for the year ended December 31, 2007.

In July 2009, TAT acquired all of the publicly held shares of Limco (approximately 32% of Limco's total shares). Under the terms of the merger agreement, Limco's stockholders received one half of an ordinary share of TAT for each share of Limco common stock they own. Following the merger, Limco became our wholly owned subsidiary. As a result of such merger, Limco again became a wholly-owned subsidiary of TAT.

On December 4, 2009, TAT's indirect subsidiary, Piedmont, acquired 5,766,667 Class B Common shares of FAvS representing 37% of FAvS' share capital on a diluted basis and \$750,000 of FAvS' Preferred Shares (entitling Piedmont to cash dividends at an annual rate of 12% payable quarterly or at the discretion of FAvS to PIK dividends payable in additional Preferred Shares at an annual rate of 15%). In consideration for such shares, Piedmont transferred to FAvS its propeller and parts businesses and guaranteed for a period of up to two years up to \$7 million of the bank debt incurred by FAvS to fund the transaction described in the next paragraph. FAvS is a provider of products and services for the global aviation industry and provides supply chain management services and maintenance and repair services for various wheels, brakes and starter/generators.

On December 4, 2009 and as part of the above mentioned transaction, FAvS also acquired all the assets and liabilities of Kelly Aerospace Turbine Rotables ("KATR"). KATR specializes in renovation and repair of landing gear, safety equipment and hydraulic and electrical components for corporate, regional and military aircraft.

FAvS' shares are quoted over the counter (OTC) at the NASDAQ stock market. FAvS' share value as of the closing date (December 4, 2009) and as of December 31, 2009, was \$0.89 and \$0.75, respectively. TAT believes that the share value does not reflect the fair value of FAvS share, because the extremely low trading volume in FAvS' shares does not reflect an active market. . Therefore the fair value of FAvS was based on an appraisal performed by management, which included a number of factors, including the assistance of independent appraisers. According to the appraisal, FAvS' fair value amounted to \$22.549 million as of November 30, 2009. As a result of the sale of Piedmont's propeller and spare parts businesses, TAT recorded a capital gain in the amount of \$4.4 million in its statement of income.

Sources of Revenues

TAT, directly and through its subsidiaries, provides a variety of services and products to the commercial and military aerospace and defense industries, such as the manufacture, maintenance and repair of a broad range of heat transfer components (such as heat exchangers, pre-coolers and oil/fuel hydraulic coolers) used in mechanical and electronic systems on-board commercial, military and business aircraft; other environmental control and cooling systems a variety of other electronic and mechanical aircraft accessories and a wide range of electric motion systems.

TAT specializes in the repair and overhaul of heat transfer components, APUs, landing gear and pneumatic ducting. TAT is licensed by Hamilton Sundstrand, a leading provider of aerospace products, to provide MRO services for all of its air-to-air heat transfer products, and by Honeywell, a leading manufacturer of aerospace products and aerospace services provider, to provide MRO services for three of their APU models. TAT's repair stations are certified by the FAA and the EASA.

TAT's Parts services division, operated until December 4, 2009, focused on inventory management and sale of APU parts, propellers and landing gear. On December 4, 2009, TAT sold its parts segment and its MRO propellers business to FAvS (See "Item 4 – Information of the Company; History and development of TAT").

The following table reflects the geographic breakdown of TAT's revenues for each of the three years ended December 31, 2009:

	Years Ended December 31,					
	2009		2008		2007	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
Sale of products						
North America	\$7,554	21.7 %	\$8,233	26.0 %	\$7,793	41.2 %
Europe	5,788	16.7 %	5,241	16.5 %	3,593	19.0 %
Israel	19,613	56.4 %	17,077	53.8 %	7,369	38.9 %
Asia	-	-	1,173	3.7 %	111	0.6 %
Other	1,796	5.2 %	-	- %	62	0.3 %
Total	\$34,751	100.00 %	\$31,724	100.00 %	\$18,928	100.00 %

	Years Ended December 31,					
	2009		2008		2007	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
Services						
North America	\$34,043	70.4 %	\$49,239	68.8 %	\$48,761	69.9 %
Europe	10,767	22.3	14,269	19.9	14,891	21.3
Israel	95	0.2	-	-	14	-
Asia	-	-	3,324	4.7	2,444	3.5
Other	3,435	7.1	4,733	6.6	3,666	5.3
Total	\$48,340	100.00 %	\$71,565	100.00 %	\$69,776	100.00 %

TAT's revenues from its four operational segments for the three years ended December 31, 2009 were as follows:

	Year Ended December 31,					
	2009		2008		2007	
	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues	Revenues in Thousands	% of Total Revenues
Revenues						
MRO services	\$42,283	50.9 %	\$54,276	52.5 %	\$49,392	55.7 %
OEM of Heat Transfer products	28,617	34.4	27,857	27.1	23,489	26
Parts services *	6,057	7.3	17,289	16.7	20,384	23
OEM of Electric Motion Systems	11,321	13.6	9,758	9.4	--	--
Eliminations	(5,187)	(6.2)	(5,891)	(5.7)	(4,561)	(5.2)
Total revenues	\$83,091	100.00 %	\$103,289	100.00 %	\$88,704	100.00 %

* Operated until December 4, 2009

Costs and Expenses

Cost of revenues TAT's cost of revenues for OEM operations and MRO services consist of component and material costs, direct labor costs, royalties, shipping expenses, overhead related to manufacturing and depreciation of manufacturing equipment. TAT's cost of revenues for parts services consisted primarily of the cost of the parts and shipping expenses.

TAT's gross margin was affected by the proportion of TAT's revenues generated from MRO services, OEM operations and parts services. TAT's revenues from MRO services and OEM operations generally had higher gross margins than TAT's parts services.

Selling and marketing expenses. Selling and marketing expenses consist primarily of commission payments, compensation and related expenses of TAT's sales teams, attendance at trade shows, advertising expenses and related costs for facilities and equipment.

General and administrative expenses. General and administrative expenses consist of compensation and related expenses for executive, finance and administrative personnel, professional fees, other general corporate expenses and related costs for facilities and equipment.

Financial income (expense), net. Financial income (expense), net consists of income and interest expense. Interest expense relates to the interest paid to banks and changes in the rate of the NIS against the U.S. dollar.

Other income (expense). Other income / expense results from the hedging activities.

Tax expense. Tax expense consists of Israeli, U.S. federal, state and local taxes on the income of TAT's business.

Impact of Critical Accounting Policies

TAT's consolidated financial statements are prepared in accordance with U.S. GAAP. These accounting principles require management to make certain estimates, judgments and assumptions based upon information available at the time that they are made, historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. While all the accounting policies impact the financial statements, certain policies may be viewed to be critical. These policies are those that are both most important to the portrayal of TAT's financial condition and results of operations and require management's most difficult, subjective and complex judgments and estimates. Actual results could differ from those estimates.

In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles in the United States and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. Management has reviewed these critical accounting policies and related disclosures with TAT's Audit Committee.

TAT's management believes the significant accounting policies which affect management's more significant judgments and estimates used in the preparation of TAT's consolidated financial statements and which are the most critical to aid in fully understanding and evaluating the reported financial results include revenue recognition, inventory valuation, goodwill and intangible assets, income taxes, doubtful debts and fair value estimates as part of FAvS acquisition that was based on an appraisal performed by management, which included a number of factors, including the assistance of independent appraisers.

Segments

As of December 4, 2009, following the sale of TAT's parts segment and its MRO propellers business to FAvS as part of the transaction described under "Item 4 – Information of the Company; History and Development of TAT", TAT began reporting its operations based on three operating segments.

TAT evaluates segment performance based on revenue and operating income. The operating income reported in TAT's segments excludes corporate and other unallocated amounts. Although such amounts are excluded from the business segment results, they are included in reported consolidated earnings. Corporate and unallocated amounts include executive level expenses and certain expenses related to accounting and finance, human resources and information technology departments.

During year 2008 through December 4, 2009, TAT also operated a fourth segment – the Parts segment, that focused on sales of parts for APU's, propellers, landing gear and other aviation components.

The OEM of electrical motion systems segment was added with the consolidation of Bental, following its acquisition on August 18, 2008.

TAT's activities in the area of OEM of Heat Transfer products primarily relate to its Gedera facility and include (i) the design, development, manufacture and sale of a broad range of heat transfer components (such as heat exchangers, pre-coolers and oil/fuel hydraulic coolers) used in mechanical and electronic systems on-board commercial, military and business aircraft; (ii) the manufacture and sale of environmental control and cooling systems and (iii) a variety of other electronic and mechanical aircraft accessories and systems such as pumps, valves, power systems and turbines.

TAT's activities in the area of OEM of Electric Motion Systems primarily relate to its subsidiary, Bental, and include the design, development, manufacture and sale of a broad range of electrical motor applications for airborne and ground systems. TAT activities in this segment commenced with the acquisition of Bental in August 2008.

TAT's MRO services primarily relate to its subsidiary, Limco, and include the maintenance, repair and overhaul of heat transfer equipment and other aircraft components, APUs, and landing gear. Limco operates FAA certified repair stations, which provide aircraft component MRO services for airlines, air cargo carriers, maintenance service centers and the military.

Revenue Recognition

TAT generates its revenues from the sale of products and systems (the OEM segments) and from providing MRO Services (remanufacture, repair and overhaul services and long-term service contracts) and, until December 4, 2009, parts services.

Revenues from the sale of products and services are recognized in accordance with ASC 605-10-S99 (formerly referred to as Staff Accounting Bulletin No. 104. "Revenue Recognition in Financial Statements" or "SAB No. 104") when persuasive evidence of an arrangement exists, delivery of the product has occurred, provided the collection of the resulting receivable is probable, the price is fixed or determinable and no significant obligation exists. TAT does not grant a right of return.

Revenues from product sales are recognized when product is shipped to the customer and title passes to the customer.

Revenues from multi-year, fixed price contracts for OEM customers are recognized when a product is shipped (and title passes) to the customer. Management provides for losses, if expected for the remaining portion of such contracts. For the years ended December 31, 2009, 2008 and 2007, no losses have been recognized for such fixed price contracts.

Revenues from MRO services are recognized as services are performed, at the time when the customer-owned material is shipped back to the customer.

Revenue from maintenance contracts are accounted according to ASC 605-10-S99 (formerly referred to as FASB Technical Bulletin No. 90-1 (Amended), "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts"). Accordingly, revenues from maintenance contracts are recognized over the contract period in proportion to the costs expected to be incurred in performing services under the contract. TAT estimates the costs that are expected to be incurred based on its experience with the aggregate costs incurred and to be incurred on contracts of this nature. The cost incurred related to the maintenance contracts are not incurred on a straight-line basis, as the timing to provide the maintenance services is dependent on when parts under these contracts require maintenance, therefore TAT accrues revenue based on anticipated margins per contract as costs are incurred. These revenues are then compared to actual results and adjusted to either deferred revenue for results greater than historical estimates or expensed in those cases of performances less than historical estimates. These accounts are reviewed monthly and adjusted as needed based on cost structures.

Revenues from royalties from sales of products developed with TAT's intellectual property, technology and technical assistance are recognized when the related sales are made.

Goodwill, Other Intangible Assets and Long-Lived Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. The \$5.3 million of goodwill in the balance sheet as of December 31, 2009, is a result of the following: \$3.8 million is a result of the acquisition of Piedmont from July 2005, less the goodwill transferred to FAvS in December 2009, \$0.4 million is a result of the acquisition of Limco during the 90's and \$1.1 million is a result of the acquisition of Bental in August 2008.

The identifiable intangible assets relating to the Piedmont acquisition, other than goodwill, included in the balance sheet are License for service center, Customer relationships and other intangible assets. The value TAT assigned to these intangible assets, using the income approach based on the present value of the cash flows attributable to each asset, was approximately \$2.3 million. The amounts allocated to these intangible assets are being amortized on a straight-line basis over periods ranging from 3 to 10 years. The identifiable intangible assets relating to Bental, other than goodwill, included in the balance sheet are customer relationships and backlog. The value assigned to these intangible assets, using the income approach based on the present value of the cash flows attributable to each asset, was approximately \$0.6 million. The amounts allocated to these intangible assets are being amortized on a straight-line basis over periods ranging from 0.4 to 5 years.

Valuation of Intangible Assets, Marketable Securities and Long-Lived Assets

In conjunction with acquisitions of assets, we allocate the purchase price based upon the relative fair values of the assets acquired and liabilities assumed. In connection with a business combination, amounts assigned to intangible assets are based upon fair value. We regularly assess whether indefinite life intangibles and goodwill have been impaired and will adjust the carrying values of these assets whenever events or changes in circumstances indicate that some or all of the carrying value of the assets may not be recoverable. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operating performances of our businesses and products. Future events could cause us to conclude that impairment indicators exist and that the carrying values of our intangible assets or goodwill are impaired. Any resulting impairment loss could have a material adverse impact on our financial position and results of operations. No impairment losses relating to goodwill and indefinite life intangible assets have been recorded to date.

We evaluate the recoverability and measure the possible impairment of goodwill. The impairment test is a two-step process that begins with the estimation of the fair value of the reporting unit. The first step screens for potential impairment, and the second step measures the amount of the impairment, if any. Our estimate of fair value considers publicly available information regarding the market capitalization of the company, as well as (1) publicly available information regarding comparable publicly traded companies in the pharmaceutical industry, (2) the financial projections and future prospects of our business, including its growth opportunities and likely operational improvements, and (3) comparable sales prices, if available. As part of the first step to assess potential impairment, we compare, on an operating unit level, our estimate of fair value for such operating unit to the book value of the operating unit. If the book value of any of the operating units is greater than the estimate of its fair value, we would then proceed to the second step to measure the impairment, if any. The second step measures the amount of impairment by comparing the implied fair value of goodwill with its carrying value. Such implied fair value is determined by allocating the fair value of the operating unit to all of the assets and liabilities of that unit as if the operating unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the operating unit. The excess of the fair value of the operating unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the carrying amount of the operating unit's goodwill is greater than its implied fair value, an impairment loss will be recognized in the amount of the excess.

We have determined September 30, 2009 as the date of the annual impairment test for goodwill and other indefinite life intangible assets. Goodwill and intangibles impairment were also tested as of December 31, 2008 and 2007.

Income Taxes

TAT operates within multiple taxing jurisdictions and is subject to audits in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve. In management's opinion, adequate provisions for income taxes have been made for all years. Although management believes that its estimates are reasonable, no assurance can be given that the final tax outcome of these issues will not be different than those that are reflected in its historical income tax provisions.

TAT accounts for income taxes in accordance with ASC 740-10 (formerly referred to as FASB SFAS No. 109 “Accounting for Income Taxes”). TAT uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial statement and tax bases of assets and liabilities and net operating loss and credit carry forwards using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when it is more likely than not that some portion of the deferred tax assets will not be realized. To the extent that TAT’s decisions and assumptions and historical reporting are determined not to be compliant with applicable tax laws TAT may be subject to adjustments in its reported income for tax purposes as well as interest and penalties.

In June 2006, FASB issued Interpretation ASC 740-10 (formerly referred to as FIN No. 48, “Accounting for Uncertainty in Income Taxes – an Interpretation of SFAS No. 109” and its related FASB staff positions”). This interpretation prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740-10 also provides guidance on derecognition of tax positions, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. We adopted ASC 740-10 effective January 1, 2007. ASC 740-10 requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and consequently, affect our operating results.

Allowances for Doubtful Accounts

TAT performs ongoing credit evaluations of its customers’ financial condition and requires collateral as deemed necessary. Allowances for doubtful accounts for estimated losses resulting from the inability of TAT’s customers to make payments. In judging the adequacy of the allowance for doubtful accounts, TAT considers multiple factors including the aging of receivables, historical bad debt experience and the general economic environment. Management applies considerable judgment in assessing the realization of receivables, including assessing the probability of collection and the current credit worthiness of each customer. If the financial condition of TAT’s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the average cost method. TAT's policy for valuation of inventory and commitments to purchase inventory, including the determination of obsolete or excess inventory, requires it to perform a detailed assessment of inventory at each balance sheet date which includes a review of, among other factors, an estimate of future demand for products within specific time frames, valuation of existing inventory, as well as product lifecycle and product development plans. The business environment in which TAT operates, the wide range of products that TAT offers and the relatively short sales-cycles TAT experiences all contribute to the exercise of judgment relating to maintaining and writing-off of inventory levels. The estimates of future demand that TAT uses in the valuation of inventory are the basis for its revenue forecast, which is also consistent with its short-term manufacturing plan. Inventory reserves are also provided to cover risks arising from non-moving items. Inventory management remains an area of management focus as TAT balances the need to maintain strategic inventory levels to ensure competitive lead times against the risk of inventory obsolescence because of rapidly changing technology and customer requirements. TAT writes down obsolete or slow moving inventory in an amount equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand, market conditions and sale forecasts. If actual market conditions are less favorable than TAT anticipates, additional inventory write-downs may be required.

Warranty Costs

TAT provides warranties for its products and services ranging from one to five years, which vary with respect to each contract and in accordance with the nature of each specific product. TAT estimates the costs that may be incurred under its warranty and record a liability in the amount of such costs at the time the product is shipped. TAT periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Marketable Securities

Marketable securities consist of available for sale securities, which are primarily debt securities in which TAT invested with the intention of holding until the maturity dates of such securities. If it is determined, based on valuations, that a decline in the fair value of any of the investments is not temporary, an impairment loss is recorded and included in the consolidated statements of income as financial expenses.

Key Indicators

TAT's management evaluates its performance by focusing on its key performance indicators, which are revenues, sources of revenues, gross profit and operating income. These key performance indicators are primarily affected by the competitive landscape in which TAT operates and its ability to meet the challenges posed.

The following table presents, for the periods indicated, information concerning TAT's results of operations:

	Year Ended December 31		
	2009	2008	2007
	(Audited, in thousands)		
Revenues			
MRO services	\$42,283	\$54,276	\$49,392
OEM Heat Transfer products	28,617	27,857	23,489
Parts services	6,057	17,289	20,384
OEM Electric Motion Systems	11,321	9,758	—
Eliminations	(5,187)	(5,891)	(4,561)
Total revenues	83,091	103,289	88,704
Cost of revenues			
MRO services	37,900	43,664	35,205
OEM Heat Transfer products	19,809	21,058	17,891
Parts services	5,879	13,922	16,603
OEM Electric Motion System	8,021	7,845	—
Eliminations	(4,714)	(5,926)	(4,492)
Total cost of revenues	66,895	80,563	65,207
Research and development	680		
Selling and marketing expenses	3,719	4,369	3,719
General and administrative expenses	14,979	12,407	10,995
Capital gain from sale of the propellers & parts businesses	(4,400)		
Operating income	1,218	5,950	8,783
Financial income	149	1,174	701
Other income (expenses), net	-	(236)	26,478
Income before income taxes	1,367	6,888	35,962
Income taxes	(765)	1,795	3,212
Net income	2,100	*5,767	*32,750
Share in income (loss) of an associated companies	(32)	674	—
Net income attributable to non controlling interest	(347)	(1,499)	(771)
Net income attributable to TAT Technologies shareholders	\$ 1,753	\$4,268	\$31,979

* Non-controlling interest reclassification

The following table presents, for the periods indicated, information concerning TAT's results of operations as a percentage of revenues:

	Year Ended December 31,					
	2009		2008		2007	
Revenues						
MRO services	51	%	53	%	56	%
OEM Heat Transfer products	34		27		26	
Parts services	7		17		23	
OEM Electric Motion Systems	14		9		—	
Eliminations	(6)	(6)	(5)
Total revenues	100		100		100	
Cost of revenues						
MRO services	46		42		40	
OEM Heat Transfer products	23		20		20	
Parts services	7		13		18	
OEM Electric Motion Systems	10		9		—	
Eliminations	(5)	(6)	(5)
Cost of revenues	81		78		73	
Research and development	1					
Selling and marketing expenses	4		4		4	
General and administrative expenses	18		12		12	
Capital gain from sale of the propellers & parts businesses	(5)				
Operating income	1		6		10	
Financial income	-		1		1	
Other income (expenses), net	*		*		30	
Income before income taxes	1		7		41	
Income taxes	(1)	2		4	
Share in income (loss) of an associated companies	*		1		—	
Net income	2		6		37	
Net income attributable to non controlling interest	(*)	(2)	(1)
Net income attributable to TAT Technologies shareholders	2	%	4	%	36	%

* Less than one percent.

Year ended December 31, 2009 compared with the Year ended December 31, 2008

Revenues. Total revenues were \$83.1 million for the year ended December 31, 2009 compared to \$103.3 million for the year ended December 31, 2008, a decrease of 20%. This reflects (i) lower revenues in the MRO and Parts operations due to the weakness in the U.S aviation industry; and (ii) increased revenues in the OEM operations in Israel due to organic growth in the OEM of Heat Transfer products segment, as well as increased revenues in the OEM of Electric Motion Systems segment derived from the Company's 70% controlled subsidiary, Bental, commencing August 18, 2008. The following revenue data for the operational segments does not reflect the elimination of inter-company transactions.

Revenues from MRO services. Revenues from MRO services decreased to \$42.3 million for the year ended December 31, 2009, from \$54.3 million for the year ended December 31, 2008, a decrease of 22.1%. The decrease in MRO services revenues in the year ended December 31, 2009, was primarily attributable to decreased sales to existing customers and, to a lesser degree, decreased sales to new customers.

Revenues from OEM of Heat Transfer products. Revenues from OEM of Heat Transfer products segment increased to \$28.6 million for the year ended December 31, 2009 from \$27.9 million for the year ended December 31, 2008, an increase of 2.5%. The increase in that segment's revenues was attributable to increased sales both to existing and new customers.

Revenues from OEM of Electric Motion Systems. Revenues from OEM of Electric Motion Systems segment increased to \$11.3 million for the year ended December 31, 2009, from \$9.8 million for the year ended December 31, 2008, an increase of 15.3%. The increase was attributable to the consolidation of Bental operations commencing from August 18, 2008.

Revenues from parts services. On December 4, 2009, TAT sold its parts segment to FAvS (See "Item 4 – Information of the Company; History and development of TAT" and further below under General and Administrative Expenses). Revenues from parts services decreased to \$6.1 million for the period ended December 4, 2009, from \$17.3 million for the year ended December 31, 2008, a decrease of 64.7%. The decrease in parts services revenues was primarily attributable to weakness in the aviation industry which impacted directly the demand for parts services.

Cost of revenues. Cost of revenues were \$66.9 million for the year ended December 31, 2009, compared to \$80.6 million for the year ended December 31, 2008, a decrease of 17%. The decrease in cost of revenues was primarily attributable to the decreased revenues in the MRO, Parts services OEM of Heat Transfer products segments. Cost of revenues as a percentage of revenues was 80.5% in the year ended December 31, 2009, a slight increase compared to 78.0% in the year ended December 31, 2008, primarily as a result of product mix with lower margin products sold during the year ended December 31, 2009 in the MRO and Parts segments, as well as to additional costs in the MRO segment related to settlement of our Repair Center and Storefront agreements, off-set by product mix with higher margin products sold during the year ended December 31, 2009, in the OEM of Heat Transfer Products segment. All of the following cost of revenues' data for the operational segments does not reflect the elimination of inter-company transactions.

Cost of revenues for MRO services. Cost of revenues for MRO services decreased to \$37.9 million for the year ended December 31, 2009 from \$43.7 million for the year ended December 31, 2008, a decrease of 13.3%, primarily as a result of decreased revenues. Cost of revenues as a percentage of revenues in this segment increased to 89.6% in the year ended December 31, 2009 from 80.5% for the year ended December 31, 2008, primarily as a result of (i) product mix with lower margins sold during year 2009; (ii) increased production costs in 2009; as well as to (iii) additional costs in this segment related to settlement of our Repair Center and Storefront agreements.

Cost of revenues for OEM of Heat Transfer products. Cost of revenues for OEM of Heat Transfer products decreased to \$19.8 million for the year ended December 31, 2009, from \$21.1 million for the year ended December 31, 2008, a decrease of 6.2%. While revenues increased compared to year 2008, this decrease in cost of revenues is primarily attributable to improved production processes. Cost of revenues as a percentage of revenues in this segment decreased to 69.2% in the year ended December 31, 2009, from 75.6% for the year ended December 31, 2008, primarily attributable to improved production processes resulting in higher margins.

Cost of revenues for OEM of Electric Motion Systems. Cost of revenues for OEM of Electric Motion Systems segment was \$8 million for the year ended December 31, 2009, similar to \$7.8 million for year 2008, and is attributable to the consolidation of Bental operations commencing from August 18, 2008. Cost of revenues as a percentage of revenues in this segment decreased to 71% in the year ended December 31, 2009, from 80.4% in the year ended December 31, 2008, primarily as a result of (i) product mix with higher margins sold during year 2009; and (ii) amortization of intangibles associated with Bental's purchase price allocation during year 2008.

Cost of revenues for parts services. On December 4, 2009 TAT sold its parts segment to FAvS (See "Item 4 – Information of the Company; History and development of TAT" and further below under General and Administration Expenses). Cost of revenues for parts services decreased to \$5.9 million for the period ended December 4, 2009, from \$13.9 million for the year ended December 31, 2008, a decrease of 57.6%, primarily as a result of decreased parts services revenues. Cost of revenues as a percentage of revenues increased to 97.1% in the period ended December 4, 2009 from 80.8% for the year ended December 31, 2008, primarily as a result of the increased rate of fixed costs out of total production costs during 2009.

Research and development. Research and Development expenses were \$0.7 million for the year ended December 31, 2009, and are related to new products and technologies within the OEM operations in Israel. Research and Development expenses as a percentage of revenues were 1% in the year ended December 31, 2009. TAT did not incur any material research and development expenses in the year ended December 31, 2008. TAT expects to continue to incur and record research and development expenses in coming years.

Selling and marketing expenses. Selling and marketing expenses decreased to \$3.7 million for the year ended December 31, 2009, from \$4.4 million for the year ended December 31, 2008. The 15% decrease in selling and marketing expenses was primarily attributable to more efficient operation whereby payroll expenses in Israel and the U.S. decreased. Selling and marketing expenses as a percentage of revenues were 4.5% for the year ended December 31, 2009, compared to 4.2% for the year ended December 31, 2008.

General and administrative expenses. General and administrative expenses increased to \$14.9 million for the year ended December 31, 2009, from \$12.4 million for the year ended December 31, 2008. The 21% increase in general and administrative expenses was primarily attributable to a \$1.7 million one time expenses associated with the write off of a customer debt, a \$0.8 million one time expense associated with the merger of a wholly-owned subsidiary of TAT and Limco mentioned above, a \$0.6 million relocation expenses (see below) and to increased expenses in the OEM operations as a result of the consolidation of Bental operations commencing August 18, 2008, off-set by one-time expense in 2008 associated with the retirement of certain management members which was not incurred during year 2009. General and administrative expenses as a percentage of revenues were 18% for the year ended December 31, 2009, compared to 12% for the year ended December 31, 2008.

On July 28, 2009 the Company determined not to go forward with the planned relocation of the operations of Limco's Tulsa, Oklahoma based subsidiary to the location of Limco's Piedmont, subsidiary in Kernersville, North Carolina. As a result, the Company incurred relocation expense of \$0.6 million for the year ended December 31, 2009, compared to none during the year ended December 31, 2008. TAT does not expect to incur additional material costs related to this item.

Capital gain from sale of the propellers & parts businesses. TAT recorded a \$4.4 million capital gain derived from FAvS transaction.

Operating income. Operating income decreased to \$1.2 million for the year ended December 31, 2009, from \$5.95 million for the year ended December 31, 2008, a decrease of 79.8%. The decrease in operating income reflects decreased gross and operational margins in the MRO and in the Parts services segments in 2009 compared to 2008; offset by increased gross and operational margins in the OEM operations due to improved margins in the OEM of Heat Transfer products segment, as well as operational income in the OEM of Electric Motion Systems segment derived from the company's 70% controlled subsidiary, Bental commencing August 18, 2008.

Financial expenses. Financial expense for the year ended December 31, 2009, was \$2.0 million, compared to \$1.5 million for the year ended December 31, 2008. During 2009 financial expense primarily resulted from changes in the exchange rate between the U.S. dollar and the Israeli Shekel, as well as interest payments on long-term loans. During 2008 financial expense primarily resulted from changes in the exchange rate between the U.S. dollar and the Israeli Shekel.

Financial income. Financial income for the year ended December 31, 2009, was \$2.1 million, compared to \$2.7 million for the year ended December 31, 2008 and was primarily attributable to hedging activities related to exchange rates between the U.S. dollar and the Israeli Shekel and to interest received for short-term investments.

Other Income (expenses). TAT had no other income for the year ended December 31, 2009 compared to other expenses of \$0.2 million for the year ended December 31, 2008. Other income for the year ended December 31, 2009 primarily resulted from a change in the fair value of unrealized forward transactions gains as of December 31, 2009.

Net income attributable to noncontrolling interest. TAT recognized net income attributable to noncontrolling interest of \$0.3 million for the year ended December 31, 2009, compared with net income attributable to noncontrolling interest of \$1.5 million for the year ended December 31, 2008.

Taxes. Total tax income for the year ended December 31, 2009, amounted to \$0.8 million, compared to tax expense of \$1.8 million for the year ended December 31, 2008. Tax income for the year ended December 31, 2009 is primarily attributable to reduction of income before tax in the U.S operations, and to an income tax benefit relating to prior years as a result of an approved enterprise certificate granted to Bental by the Israeli tax authorities in 2009 which resulted in the reduction of a previously recorded tax provision of approximately \$1.6 million; off-set by statutory taxes for the OEM operations in Israel as well as deferred taxes related to capital gain in the U.S

Net income to controlling interest. For the year ended December 31, 2009, net income was \$1.8 million, compared with net income of \$4.3 million for the year ended December 31, 2008.

Year ended December 31, 2008 compared with year ended December 31, 2007

Revenues. Total revenues increased to \$103.3 million for the year ended December 31, 2008 from \$88.7 million for the year ended December 31, 2007, an increase of 16.4%. This increase was primarily due to significantly increased sales in the OEM operations and moderately increased MRO sales, off-set by decreased sales in Parts services. All of the following revenues' data for the operational segments does not reflect the elimination of inter-company transactions.

Revenues from MRO services. Revenues from MRO services increased to \$54.3 million for the year ended December 31, 2008 from \$49.4 million for the year ended December 31, 2007, an increase of 9.9%. The increase in MRO services revenues in the year ended December 31, 2008 was primarily attributable to increased sales to existing customers and, to a lesser degree, to new customers.

Revenues from OEM of Heat Transfer products. Revenues from OEM of Heat Transfer products segment increased to \$27.9 million for the year ended December 31, 2008 from \$23.5 million for the year ended December 31, 2007, an increase of 18.7%. The increase in that segment's revenues was primarily attributable to increased sales to new customers.

Revenues from OEM of Electric Motion Systems. Revenues from OEM of Electric Motion Systems segment were \$9.8 million for the year ended December 31, 2008, and are attributable to the consolidation of Bental operations commencing from August 18, 2008. There were no revenues in this segment in previous years.

Revenues from parts services. Revenues from parts services decreased to \$17.3 million for the year ended December 31, 2008 from \$20.4 million for the year ended December 31, 2007, a decrease of 15.2%. The decrease in parts services revenues was primarily attributable to the very large one-time parts sale during 2007 to Viva Mexico for \$2.7 million and a general decline in parts sales.

Cost of revenues. Cost of revenues increased to \$80.6 million for the year ended December 31, 2008 from \$65.2 million for the year ended December 31, 2007, an increase of 23.6%. The increase in cost of revenues was primarily attributable to the significant increased revenues in the OEM operations and the increase in MRO services revenues, off-set by a decrease in parts services revenues, resulting in decreased costs in that segment. Cost of revenues as a percentage of revenues after eliminating intercompany transactions increased to 78.0% in the year ended December 31, 2008 from 73.5% for the year ended December 31, 2007. All of the following cost of revenues' data for the operational segments does not reflect the elimination of inter-company transactions.

Cost of revenues for MRO services. Cost of revenues for MRO services increased to \$43.7 million for the year ended December 31, 2008 from \$35.2 million for the year ended December 31, 2007, an increase of 24%, primarily as a result of costs associated with increased revenues. Cost of revenues as a percentage of revenues in this segment increased to 80.5% in the year ended December 31, 2008 from 71.3% for the year ended December 31, 2007, primarily as a result of product mix with lower margins sold during year 2008 as well as increased production costs in 2008.

Cost of revenues for OEM of Heat Transfer products. Cost of revenues for OEM Heat Transfer products increased to \$21.1 million for the year ended December 31, 2008 from \$17.9 million for the year ended December 31, 2007, an increase of 17.9%, primarily as a result of increased revenues. Cost of revenues as a percentage of revenues in this segment was 75.6% in the year ended December 31, 2008, similar to 76.2% for the year ended December 31, 2007.

Cost of revenues for OEM of Electric Motion Systems. Cost of revenues for OEM of Electric Motion Systems segment was \$7.8 million for the year ended December 31, 2008, and is attributable to the consolidation of Bental operations commencing from August 18, 2008. Cost of revenues as a percentage of revenues in this segment was 80.5% in the year ended December 31, 2008. There were no costs in this segment in previous years.

Cost of revenues for parts services. Cost of revenues for parts services decreased to \$13.9 million for the year ended December 31, 2008 from \$16.6 million for the year ended December 31, 2007, a decrease of 16.1%, primarily as a result of decreased parts revenues. Cost of revenues as a percentage of revenues decreased to 80.5% in the year ended December 31, 2008 from 81.4% for the year ended December 31, 2007, primarily as a result of efforts to improve the profitability of the parts segment during 2008.

Research and development net. TAT did not incur any material research and development expenses in the years ended December 31, 2008 and 2007.

Selling and marketing expenses. Selling and marketing expenses increased to \$4.4 million for the year ended December 31, 2008 from \$3.7 million for the year ended December 31, 2007, an increase of 17.5%. The increase in selling and marketing expenses was primarily attributable to increased commissions paid as a result of increased revenue in 2008. Selling and marketing expenses as a percentage of revenues were 4.2% for the year ended December 31, 2008 and 2007.

General and administrative expenses. General and administrative expenses increased to \$12.4 million for the year ended December 31, 2008 from \$11.0 million for the year ended December 31, 2007, an increase of 12.8%. The increase in general and administrative expenses is primarily attributable to increased professional fees incurred by Limco as a result of it being a public company and one-time compensation charge of approximately \$1.2 million arising from the retirement of certain managers. General and administrative expenses as a percentage of revenues slightly increased to 12.4% for the year ended December 31, 2008 from 12.0% for the year ended December 31, 2007.

Operating income. The presentation of operating income data is after elimination of intercompany transactions of \$1.7 million in the year ended December 31, 2008 and \$1.6 million in the year ended December 31, 2007 and net of corporate general and administrative expenses of \$2.9 million in the year ended December 31, 2008 and \$5.0 million in the year ended December 31, 2007. Operating income decreased to \$5.9 million for the year ended December 31, 2008 from \$8.8 million for the year ended December 31, 2007, a decrease of 32.3%. The decrease in operating income was primarily attributable to the decrease in the gross margin in 2008 compared with 2007 and to lesser extent to an increase in general and administrative expenses and selling and marketing expenses in 2008.

Financial income (expenses), net. Financial income, net was \$1.2 million for the year ended December 31, 2008 compared to financial income, net of \$0.7 million for the year ended December 31, 2007. In 2008 and in 2007 financial income was principally attributable to the investment of a portion of the proceeds Limco and TAT received from the initial public offering of Limco in July 2007 offset by higher interest charged on increased debt.

Other Income (expenses). TAT had other expense of \$0.2 million for the year ended December 31, 2008 compared to other income of \$26.5 million for the year ended December 31, 2007. Other expenses in 2008 primarily resulted from a loss on sale of corporate and government bonds during the later part of 2008. Other income in 2007 primarily resulted from capital gain of \$26.4 million for the year ended December 31, 2007 attributable to the sale by Limco and TAT of shares of common stock of Limco in connection with Limco's initial public offering in July 2007.

Minority Interest. TAT recognized a minority interest of \$1.5 offset by its shares in results of affiliate company prior to its consolidation of \$0.7 million, for the year ended December 31, 2008. TAT recognized a minority interest of \$0.8 million for the year ended December 31, 2007.

Income taxes. Total income tax expense for the year ended December 31, 2008 amounted to \$1.8 million, compared to \$3.2 million for the year ended December 31, 2007. In 2008 the decrease is primarily attributable to a \$0.9 million decrease in Limco's income taxes from \$2.8 million in 2007 to \$1.9 million in 2008, due to decreased pretax income offset by additional tax owed for tax positions taken in previous years and recognized as tax expense in the current year. Also impacting income tax expense was the 1.1% appreciation of the NIS against the dollar in 2008, as a result of which TAT did not record a tax expense in 2008 with respect to its operations in Israel. In addition, income tax expense in 2008 was offset by a \$0.2 million which was recorded as deferred tax income related to intangible assets included in the acquisition on Bental.

Net income. In the year ended December 31, 2008, net income was \$5.67 million, compared with net income of \$32.7 million in the year ended December 31, 2007.

Quarterly Results of Operations

The following table presents the consolidated statements of operations data for each of the eight fiscal quarters ended December 31, 2009, in dollars and as a percentage of revenues. In the opinion of TAT's management, this unaudited information has been prepared on the same basis as TAT's audited consolidated financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of the unaudited information for the quarters presented. The results of operations for any quarter are not necessarily indicative of results that TAT might achieve for any subsequent periods.

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	Three months ended								
	2009			2008					
	Dec. 31,	Sept. 30,	June 30,	Mar. 31,	Dec. 31,	Sept. 30,	June 30,	Mar. 31,	
	(unaudited, \$ in thousands)								
Revenues	\$18,360	\$18,756	\$21,432	\$24,543	\$31,144	\$26,702	\$23,200	\$22,243	
Cost of revenues	16,661	14,521	17,607	18,106	25,191	20,684	18,266	16,422	
Gross profit	1,699	4,235	3,825	6,437	5,953	6,018	4,934	5,821	
Research and Development costs	183	125	207	165	-	-	-	-	
Selling and marketing expenses	926	804	1,110	879	1,001	1,329	1,107	932	
General and administrative expenses	5,784	3,368	2,884	2,943	3,608	3,085	2,807	2,907	
Capital gain from sale of the propellers & parts businesses	(4,400)	-	-	-	-	-	-	-	
Operating income (loss)	(794)	(62)	(376)	2,450	1,344	1,604	1,020	1,982	
Financial income (expenses) net	196	87	161	(295)	318	207	359	290	
Other income (expense), net	(271)	127	353	(209)	(236)	-	-	-	
Income before income taxes	(869)	152	138	1,946	1,426	1,811	1,379	2,272	
Income taxes	201	(1,582)	(125)	741	420	818	168	389	
Share in income (loss) of an associated companies	(32)	-	-	-	-	240	434	—	
Net income	(1,102)	1,734	237	1,205	1,006	1,233	1,645	1,883	
Net income attributable to non controlling interest	84	(571)	287	(147)	(320)	(554)	(241)	(384)	
Net income attributable to TAT Technologies Shareholders	\$(1,018)	1,163	\$550	\$1,058	\$686	679	\$1,404	\$1,499	
Revenues	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	
Cost of revenues	90.7	77.4	82.2	73.8	80.9	77.5	78.7	73.7	
Gross profit	9.3	22.6	17.8	26.2	19.1	22.5	21.3	26.3	
	1.0	0.7	1.0	0.7	-	-	-	-	

Research and Development costs								
Selling and marketing expenses	5.0	4.2	5.2	3.6	2.9	5.0	4.8	4.6
General and administrative expenses	31.6	18.0	13.4	11.9	11.8	11.6	12.1	12.7
Capital gain from sale of the propellers & parts businesses	(23.9)	-	-	-	-	-	-	-
Operating income (loss)	(4.4)	(0.3)	(1.8)	10.0	4.3	6.0	4.4	8.9
Financial income	4.2	1.1	3.0	2.1	3.3	1.4	3.2	2.3
Financial expenses	(3.6)	(0.6)	(2.2)	(3.3)	(2.3)	(0.6)	(1.7)	(0.8)
Other income (expense), net	(0.9)	0.6	1.6	(0.9)	(0.8)	0	0	0
Income before income taxes	(4.7)	0.8	0.6	7.9	4.6	6.8	5.9	10.2
Income taxes	1.1	(8.4)	(0.6)	3.0	1.3	3.1	0.7	1.7
Share in income (loss) of an associated companies	(0.2)	-	-	-	-	0.9	1.9	-
Net income	(6.0)	9.2	1.3	4.9	3.2	4.6	7.1	8.4
Net income attributable to non controlling interest	0.5	(3.0)	1.3	(0.6)	(1.0)	(2.1)	(1.0)	(1.7)
Net income attributable to TAT Technologies Shareholders	(5.5)%	6.2 %	2.6 %	4.3 %	2.2 %	2.5 %	6.1 %	6.7 %

TAT expects its operating results to fluctuate significantly in the future as a result of various factors, many of which are outside of TAT's control, including the timing of orders, the provision of services and deliveries. Consequently, TAT believes that period-to-period comparisons of its operating results may not necessarily be meaningful, and as a result, you should not rely on them as an indication of future performance.

Seasonality

TAT believes that there is a seasonal trend in the MRO services sector. Many airlines decrease their maintenance requirements in the peak air travel summer months and increase their maintenance requirements in the winter months when air travel is not as great.

Conditions in Israel

TAT is incorporated under the laws of, and its principal executive offices and manufacturing and research and development facilities are located in, the State of Israel. See “RISK FACTORS” for a description of governmental, economic, fiscal, monetary or political policies or factors that have materially affected or could materially affect TAT’s operations.

Trade Relations

Israel is a member of the United Nations, the International Monetary Fund, the International Bank for Reconstruction and Development and the International Finance Corporation. Israel is a member of the World Trade Organization and is a signatory to the General Agreement on Tariffs and Trade. In addition, Israel has been granted preferences under the Generalized System of Preferences from the United States, Australia, Canada and Japan. These preferences allow Israel to export the products covered by such programs either duty-free or at reduced tariffs.

Israel and the European Union Community, known now as the “European Union,” concluded a Free Trade Agreement in July 1975 that confers some advantages with respect to Israeli exports to most European countries and obligates Israel to lower its tariffs with respect to imports from these countries over a number of years. In 1985, Israel and the United States entered into an agreement to establish a Free Trade Area. The Free Trade Area has eliminated all tariff and some non-tariff barriers on most trade between the two countries. On January 1, 1993, an agreement between Israel and the European Free Trade Association, known as the “EFTA,” established a free-trade zone between Israel and the EFTA nations. In November 1995, Israel entered into a new agreement with the European Union, which includes a redefinition of rules of origin and other improvements, such as allowing Israel to become a member of the Research and Technology programs of the European Union. In recent years, Israel has established commercial and trade relations with a number of other nations, including Russia, China, India, Turkey and other nations in Eastern Europe and the Asia-Pacific region.

Impact of Currency Fluctuation and of Inflation

TAT reports its financial results in dollars and receives payment in dollars or dollar-linked NIS for all of its sales while it incurs a portion of its expenses, principally salaries and related personnel expenses, in NIS. Additionally, certain assets, as well as a portion of its liabilities, are denominated in NIS. Therefore, the dollar cost of its operations is influenced by the extent to which any inflation in Israel is offset on a lagging basis, or is not offset by the devaluation of the NIS in relation to the U.S. dollar. When the rate of inflation in Israel exceeds the rate of devaluation of the NIS against the U.S. dollar, the dollar cost of operations in Israel increases. If the dollar cost of operations in Israel increases, its dollar-measured results of operations will be adversely affected. TAT cannot assure you that TAT will not be materially and adversely affected in the future if inflation in Israel exceeds the devaluation of the NIS against the dollar or if the timing of the devaluation lags behind inflation in Israel.

The following table presents information about the rate of inflation in Israel, the rate of devaluation (appreciation) of the NIS against the U.S. dollar, and the rate of inflation of Israel adjusted for the devaluation:

Year ended December 31,	Israeli inflation rate%	NIS appreciation (devaluation) to the US dollar rate%	Israeli inflation adjusted for appreciation (devaluation) %
2003	(1.9)	7.6	5.7
2004	1.2	1.6	2.8
2005	2.4	(6.8)	(4.4)
2006	(0.1)	8.2	8.1
2007	3.4	9.0	12.4
2008	3.8	1.1	4.9
2009	4.0	0.7	4.7

A devaluation of the NIS in relation to the U.S. dollar has the effect of reducing the U.S. dollar amount of any of its expenses or liabilities which are payable in NIS, unless these expenses or payables are linked to the U.S. dollar. This devaluation also has the effect of decreasing the U.S. dollar value of any asset which consists of NIS or receivables payable in NIS, unless the receivables are linked to the U.S. dollar. Conversely, any increase in the value of the NIS in relation to the U.S. dollar has the effect of increasing the U.S. dollar value of any unlinked NIS assets and the U.S. dollar amounts of any unlinked NIS liabilities and expenses. During the years 2008 and 2009, the NIS appreciated against the U.S. dollar, which resulted in a significant increase in the U.S. dollar cost of TAT's NIS expenses. Such trend was reversed during the first three months of 2010 since the U.S. dollar devaluated compared to the NIS.

Because exchange rates between the NIS and the dollar fluctuate continuously, exchange rate fluctuations and especially larger periodic devaluations will have an impact on TAT's profitability and period-to-period comparisons of its results. The effects of foreign currency re-measurements are reported in TAT's consolidated financial statements in current operations. TAT cannot assure you that in the future its results of operations may not be materially adversely affected by currency fluctuations.

Corporate Tax Rate

Israeli companies are generally subject to income tax on their taxable income. The applicable rate for 2009 was 26% and will be further gradually reduced to 18% in 2016 and thereafter. However, the rate is effectively reduced for income derived from an approved enterprise and beneficiary enterprise. Because TAT has elected to participate in the alternative package of tax benefits for its current approved enterprise and beneficiary enterprise under the Law for the Encouragement of Capital Investments, 1959, as amended, the income derived from those enterprises will be exempt from Israeli corporate tax for a specified benefit period (except to the extent that dividends are distributed during the tax-exemption period other than upon liquidation) and subject to reduced corporate tax rates for an additional period. The tax benefits attributable to its current approved enterprise and beneficiary enterprise are scheduled to expire in phases between 2010 and 2017. Certain investment income derived by TAT from investments may not be regarded by the Israeli tax authorities as income from TAT's approved and beneficiary enterprises and consequently may be taxed at the regular statutory rate in Israel.

Certain of TAT's subsidiaries operate in and are subject to the tax laws of various other jurisdictions, primarily the United States. TAT's U.S. subsidiaries are taxed based on federal and state tax laws. The effective tax of TAT's U.S. subsidiaries was 38%, 41.5% and 35.6% in the years ended December 31, 2009, 2008 and 2007, respectively.

Recently Issued Accounting Standards

Effective June 15, 2009, the Company adopted ASC 855, "Subsequent Events", establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statement are issued or are available to be issued. The Company has evaluated all subsequent events through the date the financial statements were issued. The adoption of this ASC did not have a material effect on the Company's consolidated financial statements.

Effective January 1, 2009, the Company adopted, ASC 350-30 "Determination of the Useful Life of Intangible Assets" that amends the factors considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under ASC 350. ASC 350-30 requires a consistent approach between the useful life of a recognized intangible asset under ASC 350 and the period of expected cash flows used to measure the fair value of an asset under ASC 805. The ASC also requires enhanced disclosures when an intangible asset's expected future cash flows are affected by an entity's intent and/or ability to renew or extend the arrangement. The adoption of this ASC did not have a material effect on the Company's consolidated financial statements.

Effective January 1, 2009, the Company adopted ASC 805 "Business Combinations" . ASC 805 establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any Non controlling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination.

In December 2007, the FASB issued a new standard which established the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability (as was previously the case); that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or gains or losses on purchases or sales; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also required changes to certain presentation and disclosure requirements. For TAT, the standard was effective beginning January 1, 2009. The provisions of the standard were applied to all NCIs prospectively, except for the presentation and disclosure requirements, which were applied retrospectively to all periods presented. As a result, upon adoption, TAT retroactively reclassified the "Minority interest in subsidiaries" balance previously included in the "Other liabilities" section of the consolidated balance sheet to a new component of equity with respect to NCIs in consolidated subsidiaries. The adoption also impacted certain captions previously used on the consolidated statement of income, largely identifying net income including NCI and net income attributable to TAT and with the connection with the merger with Limco-Piedmont see note 3(b)(2).

In April 2009, the FASB issued ASC 805-20 "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies". ASC 805-20 amends the provisions in ASC 805 for the initial recognition and measurement, subsequent measurement and accounting, and disclosures for assets and liabilities arising from contingencies in business combinations. ASC 805-20 eliminates the distinction between contractual and non-contractual contingencies, including the initial recognition and provisions in SFAS No. 141 for acquired contingencies. ASC 805-20 is effective for contingent assets and contingent liabilities acquired in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of ASC 805-20 did not have a material effect on Company's consolidated financial statements.

In November 2008, the FASB ratified Emerging Issues Task Force ("EITF") 08-6, "Equity Method Investment Accounting Considerations," as codified in Accounting Standards Codification ("ASC") Topic 323. This guidance clarifies that the initial carrying value of an equity method investment should be recognized using a cost accumulation model and generally excludes contingent consideration. This guidance also clarifies that the equity method investment as a whole should be assessed for other-than-temporary impairment and that a separate impairment assessment of the underlying assets is not required. An equity method investor shall recognize its share of any impairment charge recorded by an investee and consider the effect, if any, of the impairment on the investor's basis difference in the assets giving rise to the investee's impairment charge. In addition, this guidance concludes that an equity method investor shall recognize gains or losses in earnings for the issuance of shares by the equity method investee, as if the investor had sold a proportionate share of its investment. This guidance is effective on a prospective basis in fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The Company adopted this guidance commencing January 1, 2009. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

In January 2010, the FASB updated the "Fair Value Measurements Disclosures". More specifically, this update will require (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value, and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. As applicable to TAT, this will become effective as of the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years. As applicable to the Company, the adoption of the new guidance will not have a material impact on its consolidated financial statements.

Consolidation of Variable Interest Entities - In June 2009, the FASB issued FAS 167, "Amendments to FASB Interpretation No. 46(R)", codified in ASC Topic 810, "Consolidation". The new guidance eliminates FASB Interpretation 46(R) (FIN 46(R))'s exceptions for consolidating qualifying special-purpose entities, contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. The elimination of the qualifying special-purpose entity concept and its consolidation exceptions means more entities will be subject to consolidation assessments and reassessments. Furthermore, this guidance requires, inter alia, a company to assess the determination of the primary beneficiary of a VIE based on whether the company has the power to direct matters that most significantly impact the activities of the VIE, and the obligation to absorb losses or the right to receive benefits of the VIE. This guidance also requires additional disclosures regarding an entity's involvement in a variable interest entity. This guidance is effective for fiscal years beginning after November 15, 2009. Early application is prohibited. The Company does not expect the adoption of the standard to have a material impact on our financial condition or results of operations.

Liquidity and Capital Resources

In 2009, TAT received loans and utilized credit facilities from financial institutions, in the total amount of \$3.8 million, primarily for the financing of the final stage of the acquisition of Bental's shares and in order to increase working capital.

TAT had cash and cash equivalents and short-term deposits of \$33.5 as of December 31, 2009 (including restricted cash in the amount of \$5 million), as compared with cash and cash equivalents and short-term deposits of \$46.2 million as of December 31, 2008 (including restricted cash on the amount of \$1 million). The decrease in cash and cash equivalents in 2009 included, among others, the \$7.5 million paid in dividends and \$2 million used to repurchase the Company's shares.

Capital expenditures for the years ended December 31, 2009, 2008 and 2007 were approximately \$4.9 million, \$3.5 million and \$6.3 million, respectively. These capital expenditures were principally for the purchase of equipment for the OEM and MRO facilities. TAT funded these expenditures from cash flows from operations and also from financing activities, derived from the initial public offering of Limco in July 2007. TAT expects that capital expenditures for 2010 will decrease and will be primarily for expanded capabilities and capacity for OEM operations and MRO services. TAT expects that its available cash and cash equivalents and cash flow that will be generated from operations will be sufficient to enable it fund its capital expenditures.

TAT believes that anticipated cash flow from operations and its current cash balances will be sufficient to meet its cash requirements for at least 12 months. TAT's future capital requirements will depend on many factors, including its rate of revenue growth, the expansion of its selling and marketing activities, costs associated with expansion into new markets and the timing of the introduction of new products and services.

Cash Flows

The following table summarizes TAT's cash flows for the periods presented:

	Year Ended December 31, (in thousands)		
	2009	2008	2007
Net cash provided by operating activities	\$(79)	\$1,692	\$804
Net cash provided by (used in) investing activities	770	12,368	(24,719)
Net cash provided by (used in) financing activities	(8,912)	5,170	33,267
Effect of changes in exchange rate on cash and cash equivalents of foreign currency subsidiary company	(110)	(445)	—
Net increase (decrease) in cash and cash equivalents	(8,331)	18,785	9,352
Cash and cash equivalents at beginning of the year	33,899	15,114	5,762
Cash and cash equivalents at end of the year	\$25,568	\$33,899	\$15,114

For the year ended December 31, 2009, net cash used in operating activities was approximately \$0.1 million compared to net cash provided by operating activities of \$1.7 million and \$0.8 million for the years ended December 31, 2008 and 2007, respectively. Net cash used in operating activities for the year ended December 31, 2009 was primarily attributable to net income of \$1.75 million, and in addition to depreciation and amortization of \$2.97 million, decrease in trade accounts receivables of \$3.85 million, deferred income taxes of \$1.7 million and a \$1.6 million increase in provision for doubtful debts, which was primarily offset by a \$4.4 million of profit from selling the propellers and parts business to FAvS, a \$3.9 million decrease in trade accounts payables, \$2.2 million increase in other accounts receivables and a \$1.4 million decrease in other accounts payables.

Net cash provided by operating activities for the year ended December 31, 2008 was primarily attributable to net income of \$5.7 million, and in addition to depreciation and amortization of \$3.4 million and a \$1.5 million increase in the minority shares of profit for the period, which was primarily offset by a \$2.4 million increase in inventories, a \$4.2 million increase in trade receivables, and a \$0.9 million increase in other accounts receivables. The increase in trade receivables in 2008 resulted primarily from the increased revenues. The increase in inventories in 2008 resulted from purchases of inventories in relatively large quantities sufficient to support long term contracts, enabling TAT to enjoy relatively lower prices.

Net cash provided by investing activities was approximately \$0.8 million and \$12.4 million for the years ended December 31, 2009 and 2008, compared to net cash used in investing activities of approximately \$24.8 million for the year ended December 31, 2007. Of the cash provided by investing activities in the year ended December 31, 2009 approximately \$24.1 million were provided by proceeds received from selling short term investments, offset by \$15.7 million used for the purchase of short term investments, \$4.1 million of increased in restricted deposits, \$2.8 million used for the purchase of property and equipment, primarily production equipments and building improvements and \$2.1 million used for the purchase of intangible assets.

Of the cash provided by investing activities in the year ended December 31, 2008, approximately \$26.4 million were provided by proceeds received by Limco from selling corporate and municipal bonds, offset by \$9.3 million used for the purchase of short term investments and \$3.6 million used for the purchase of property and equipment, primarily production equipments and building improvements.

Net cash used in financing activities was approximately \$8.9 million for the year ended December 31, 2009 compared to net case provided by financing activities of approximately \$5.2 million for the year ended December 31, 2008, and compared to net cash used in financing activities of approximately \$33.3 million for the year ended December 31, 2007. In the year ended December 31, 2009, the net cash used was primarily attributable to the payment of dividend of \$7.5 million, repurchase of Company's shares of \$2.0 million, purchase of shares in respect of put option to minority shareholders in a subsidiary of \$2.2 million, which was primarily offset by proceeds from long term loans of \$2.5 million and short term credit received from banks of \$1.1 million.

In the year ended December 31, 2008, the net cash provided was primarily attributable to the receiving of a \$5.0 million loan from financial institution, repayable in 3-5 years.

In the year ended December 31, 2007, the net cash provided was primarily attributable to the \$41.2 million provided by the initial public offering of Limco in July 2007. In October 2007, TAT distributed a cash dividend of approximately \$2.6 million, and in July 2007, TAT repaid all of its then outstanding long-term loans in the aggregate amount of \$8.0 million.

A. Research and Development, Patents and Licenses

Not applicable.

B. Trend Information

Our revenues in the US in fiscal 2010 are expected to be impacted by the decline in the aerospace industry. Although we anticipate this trend to continue for the foreseeable future, we expect that as the aerospace industry recovers, our revenues will again trend upward.

In addition, following the completion of the FAvS transaction on December 4, 2009, pursuant to which we contributed our Parts and Propeller businesses to FAvS, our revenues are expected to be lower than in previous years.

Other than the above mentioned, there are no significant recent trends that are material to production, sales and inventory, the state of the order book and costs and selling prices since the latest fiscal year.

C. Off-Balance Sheet Arrangements

We are not a party to any material off-balance sheet arrangements. In addition, we have no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations.

D. Tabular Disclosure of Contractual Obligations

The following table summarizes our minimum contractual obligations and commercial commitments as of December 31, 2009 and the effect we expect them to have on our liquidity and cash flow in future periods.

Contractual Obligations	Total	Payments due by Period			
		Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Long-term debt obligations	\$7,736,000	\$373,000	\$2,318,000	\$5,045,000	\$-
Operating lease obligations (1)	2,745,777	582,700	1,149,068	904,000	110,000
Purchasing commitments	6,418,000	5,665,000	753	--	--
Estimated long-term loan interest	1,053,000	331,000	304,000	304,000	--
Total	\$17,952,777	\$6,951,700	\$3,771,821	\$6,253,000	\$110,000

(1) Pursuant to the terms of the agreement we entered into with TAT Industries in 2000 to purchase its operations relating to the manufacture of aviation accessories, we rent from TAT Industries the real estate and buildings encompassing an area of approximately 302,000 square feet for a period of 24 years and eleven months. In consideration we agreed to pay TAT Industries annual rental payments of approximately \$335,000 for the year ended December 31, 2009 with an additional incremental payment of 2% per year. Such rental rates are subject to revaluation every fifth year.

In addition, we have long-term liabilities for severance pay that are calculated pursuant to Israeli severance pay law generally based on the most recent salary of the employees multiplied by the number of years of employment, as of the balance sheet date. Employees are entitled to one month's salary for each year of employment or a portion thereof. As of December 31, 2009, our severance pay liability, net was \$560,000.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Set forth below are the name, age, principal position and a biographical description of each of our directors and executive officers:

Name	Age	Position
Giora Inbar	55	Chairman of the Board of Directors
Shmuel Fledel	57	Chief Executive Officer
Avi Ortal	43	Chief Executive Officer of Limco-Piedmont
Shmuel Mendel	58	Chief Executive Officer of Bental
Yaron Shalem	37	Chief Financial Officer
Nathan Galili	54	Vice President Operations
Avi Shani	62	External Director **
Daniela Yaron-Zoller	42	Director **
Jan Loeb	51	Director
Ronen Yehezkel	39	Director
Yankale Shahar	48	Director * **

(*) Will be approved in the next annual shareholders meeting

(**) Member of the audit committee

Brigadier General (Res.) Giora Inbar was elected as the Chairman of TAT's Board of Directors in January 2008. Brigadier General (Res.) Inbar currently serves as the chairman of the Board of Directors of Isal Amlat, TAT's controlling shareholder, and as the chief executive officer of KMN Holdings Ltd. ("KMN"), the parent of Isal Amlat. Brigadier General (Res.) Inbar also serves as chairman of the Board of Directors of a number of companies in the KMN Group, including TAT's parent company TAT Industries. Brigadier General (Res.) Inbar served in the Israel Defense Forces for 25 years retiring with the rank of Brigadier General in 1998. Brigadier General (Res.) Inbar holds a B.A. degree and an MBA degree in Business Administration from Haifa University and is also a graduate of the US Army War College.

Dr. Shmuel Fledel has served as TAT's Chief Executive Officer since May 2008. Prior to joining TAT, between the years 2005 and 2008, Dr. Fledel served as Vice President, Maintenance and Engineering of El-AL Israel Airlines Ltd. From 1998 to 2005, Dr. Fledel served as the Chief Executive Officer of Cyclone Aviation Products Ltd., an Israeli company which serves as the Elbit Systems Group's design and production center for metal and composite structural aircraft components and parts for leading aerospace companies and OEMs. From 1995 to 1998, Col (Res.). Dr. Fledel served as the Depot Commander of the Israeli Air Force. Dr. Fledel holds a Ph.D. and a MS. degree in Structural Dynamics, both from the University of Maryland, and a BS. degree in Aeronautical Engineering from the Technion - Israel Institute of Technology.

Dr. Avi Ortal has served as Limco-Piedmont's Chief Executive Officer since September 2009. Prior to that, Dr. Ortal served as the CEO of KMN Capital Ltd., a subsidiary of KMN, and as a VP of KMN, since February 2008. From March 1999 to January 2008, Dr. Ortal was a partner in the law firm of Zellermyer, Pelosof & Co., Israel and prior to that an associate at the New York law firm Davis Polk & Wardell, as well as an Adjunct Lecturer (Mergers & Acquisitions) at the Duke University School of Law. Dr. Ortal holds an LL.B. degree from the College of Management, an L.L.M. degree and a S.J.D degree from Duke University School of Law and an MBA degree from Northwestern University Kellogg Business School.

Shmulik Mandel has served as Bental's Chief Executive Officer since June 2006. Between the years 1998-2006, Mr. Mandel served as the Chairman of the Board of Bental. From 1995 to 1998 Mr. Mandel served as the director of economic affairs for the United Kibutzim Movement in Israel. From 1993 to 2006 Mr. Mandel served as Chairman of the Board of Director of different corporations, among them Atudot Pension Fund Ltd., Lehavot Production and Shield Ltd., Lordan Ltd. and The Investment Company of the Bank for Industrial Development. Mr. Mandel holds a B.S degree in Computer Sciences from the Technion.

Yaron Shalem has served as TAT's Chief Financial Officer since August 2008. Prior to that, between the years 2006 and 2008 Mr. Shalem served as the CFO of OrganiTech USA Inc. — a provider of high-tech hydroponics factories. Prior to that, during years 2003-2005 Mr. Shalem served as the CFO of Arelnet Ltd. — a provider of IP based telecom switches. Before that Mr. Shalem was the CFO of CellPay Ltd, an Israeli start-up provider in the Mobile Payment arena. Mr. Shalem holds a B.A. in Economy & Accounting from Tel Aviv University and an EMBA from Bar-Ilan University.

Nathan Galili has served as TAT's VP Operations since August 2008. Prior to that Mr. Galili served for many years at IAI (Israeli Aerospace Industries Ltd.). During 2007 he served at IAI as General Manager of the Boeing 787 program, and prior to that, during 1995-2006 as General Manager of the Ramta Division of IAI (dealing with development of Fast Attack Craft, Built to Print and Built to Spec of Aerostructure Components, armored vehicles, UGV's etc.). During 1992-1994 Mr. Galili was the Deputy General manager of the Lahav Division of IAI, dealing with the design and upgrade of Fighter and Training Aircraft. Mr. Galili holds a B.S in Aeronautical Engineering from Technion Haifa and an MBA from Bar-Ilan University.

Avi Shani has served as an outside director (within the meaning of the Israeli Companies Law) since August 2008 and is a member of TAT's Audit Committee. Mr. Shani is also serving as a director of Psagot Providence Funds and of Psagot Pensions Funds. From 2005 until 2008 Mr. Shani served as the CEO of TCM Mobile, a start up company, and prior to that, during years 2000 - 2004 he served as Executive Vice President Investments and Chief Economist of IDB Development, a leading Israeli holding company, in charge of new Investments. Mr. Shani holds a B.S degree in Economics and an MBA, both from Tel Aviv University.

Daniela Yaron-Zoller was elected as a director in January 2008. Ms. Yaron-Zoller currently serves as a director of the strategic customer division of NESS Technologies Ltd. Ms. Yaron-Zoller also serves as a member of the Board of Directors of several companies in the KMN Group. Ms. Yaron-Zoller holds a B.A. degree in Law from the University of Tel Aviv.

Jan Loeb was elected as a director by our Board of Directors in August 2009. Mr. Loeb has served as President of Leap Tide Capital Management, Inc., a capital investment firm, since 2007. From February 2005 through January 2007, he served as a portfolio manager of Amtrust Capital Management, Inc. From February 2004 through January 2005, Mr. Loeb was a Portfolio Manager for Chesapeake Partners, a capital investment firm. From January 2002 through December 2004, Mr. Loeb was a Managing Director of Jefferies & Company, Inc., an investment banking firm based in New York City. From 1994 through 2001, Mr. Loeb was a Managing Director of Dresdner Kleinwort and Wasserstein, Inc., an investment banking firm based in New York City, which was formerly known as Wasserstein Perella & Co., Inc. Mr. Loeb is also a director of American Pacific Corp and Pernix Therapeutics Holdings, Inc. Mr. Loeb graduated from Baruch College – City University of New York with a baccalaureate in Finance and Investments.

Ronen Yehezkel (39) was elected as a director by our Board of Directors in June 2010. Mr. Yehezkel has served as the company treasurer of El Al Airlines Ltd., the national Israel airlines, from 2003 through 2006. From May 2008 through January 2010, Mr. Yehezkel served as the business development manager of KMN Holdings Ltd., the controlling shareholder of Isal Amlat ("KMN"). Since February 2010, he serves as the Chief Financial Officer of KMN and also serves as a member of the Board of Directors of several companies in the KMN Group. Mr. Yehezkel holds a B.A. degree in Economics and an MBA from the University of Tel Aviv.

Mr. Yacov Shahar (48) served as the Chief Financial Officer and Vice President of Elad Group, Canada, from 2004 until 2005, and prior to that, during years 1990-2004 he served as a customer relations manager in the business division at Bank Hapoalim. Mr. Shahar serves as the company treasurer of El Al Airlines Ltd., the national Israel airlines, since 2006. Mr. Shahar holds a B.A. degree in Economics and Mathematics from the Hebrew University of Jerusalem.

Compensation

The following table sets forth all the compensation TAT paid with respect to all of its directors and executive officers as a group for the year ended December 31, 2009.

	Salaries, fees, Commissions and bonuses	Other benefits
All directors and executive officers as a group (9 persons)	\$ 1,730,000	\$64,000

During the year ended December 31, 2009, TAT paid its directors, other than Messrs. Giora Inbar and Dr. Avraham Ortal (who received no compensation), the minimum amounts permitted by law to an outside director (within the meaning of the Israeli companies Law) which was: a per meeting attendance fee of NIS 2,300 (approximately \$585), plus an annual fee of NIS 61,820 (approximately \$15,720).

B. Board Practices

Introduction

According to the Israeli Companies Law and our articles of association, the management of our business is vested in our board of directors. The board of directors may exercise all powers and may take all actions that are not specifically granted to our shareholders. Our executive officers are responsible for our day-to-day management. Our executive officers have individual responsibilities established by our chief executive officer and board of directors.

Election of Directors

Our articles of association provide for a board of directors consisting of no less than two and no more than eleven members or such other number as may be determined from time to time at a general meeting of shareholders. Our board of directors is currently composed of 6 directors, including two outside directors within the meaning of the Israeli Companies Law.

Pursuant to our articles of association, all of our directors (except the outside directors) are elected at our annual general meeting of shareholders by a vote of the holders of a majority of the voting power represented and voting at such meeting and hold office until the next annual general meeting of shareholders and until their successors have been elected. All the members of our Board of Directors (except the outside directors) may be reelected upon completion of their term of office. Our board of directors may temporarily fill vacancies in the board until the next annual meeting of shareholders, provided that the total number of directors will not exceed the maximum number permitted under our articles of association.

The Israeli Companies Law requires the board of directors of a public company to determine a minimum number of directors with “accounting and financial expertise.” Our board of directors determined, accordingly, that at least two directors must have “accounting and financial expertise,” as such term is defined by regulations promulgated under the Israeli Companies Law.

We are exempt from the requirements of the NASDAQ Marketplace Rules with regard to the nomination process of directors since we are a controlled company within the meaning of NASDAQ Marketplace Rule 5615(c)(2). See below in this Item 6C. “Directors, Senior Management and Employees - Board Practices - NASDAQ Exemptions for a Controlled Company.”

Outside and Independent Directors

Outside Directors. Under the Israeli Companies Law, Israeli companies whose shares have been offered to the public are required to appoint at least two outside directors. The Israeli Companies Law provides that a person may not be appointed as an outside director if the person, or the person’s relative, partner, employer or an entity under that person’s control, has or had during the two years preceding the date of appointment any affiliation with the company, or any entity controlling, controlled by or under common control with the company. The term “relative” means a spouse, sibling, parent, grandparent, child or child of spouse or spouse of any of the above. The term “affiliation” includes an employment relationship, a business or professional relationship maintained on a regular basis, control and service as an office holder excluding service as an outside director of a company that is offering its shares to the public for the first time.

In addition, no person may serve as an outside director if the person's position or other activities create, or may create a conflict of interest with the person's responsibilities as director or may otherwise interfere with the person's ability to serve as director. If, at the time an outside director is appointed all members of the board of directors are of the same gender, then that outside director must be of the other gender. A director of one company may not be appointed as an outside director of another company if a director of the other company is acting as an outside director of the first company at such time.

A person is qualified to serve as an outside director only if he or she has "accounting and financial expertise" or "professional qualifications," as such terms are defined by regulations promulgated under the Israeli Companies Law. At least one of the outside directors must have "accounting and financial expertise." Each of our outside directors has "accounting and financial expertise."

The outside directors are elected by a majority vote at a shareholders meeting. The shareholders voting in favor of their election must include at least one-third of the shares of the non-controlling shareholders of the company who voted on the matter (not including abstentions). This minority approval requirement need not be met if the total shareholdings of those non-controlling shareholders who vote against their election represent 1% or less of all of the voting rights in the company.

In general, outside directors serve for a three-year term and may be reelected to one additional three-year term. An outside director may be removed from office at the initiative of the board of directors at a special general meeting of shareholders, if the board resolves that the statutory requirements for that person's appointment as outside director no longer exist, or that the outside director has violated his or her duty of loyalty to the company. The resolution of the special general meeting of shareholders regarding the termination of office of an outside director requires the same majority that is required for the election of an outside director. The court may order the termination of the office of an outside director on the same grounds, following a motion filed by a director or a shareholder. If an outside directorship becomes vacant, the board of directors is required under the Israeli Companies law to convene a shareholders meeting immediately to appoint a new outside director.

Each committee of the board of directors that is authorized to exercise powers vested in the board of directors must include at least one outside director and the audit committee must include all of the outside directors. An outside director is entitled to compensation as provided in regulations adopted under the Israeli Companies Law and is otherwise prohibited from receiving any other compensation, directly or indirectly, in connection with such service.

Until the lapse of two years from termination of office, we may not engage an outside director to serve as an office holder and cannot employ or receive services from that person, either directly or indirectly, including through a corporation controlled by that person.

Independent Directors. NASDAQ Marketplace Rules require us to establish an audit committee comprised of at least three members and only of independent directors each of whom satisfies the respective “independence” requirements of the Securities and Exchange Commission and NASDAQ.

As a controlled company, within the meaning of NASDAQ Marketplace Rule 5615(c)(2), we are exempt from the NASDAQ Marketplace Rule which requires that a majority of our board of directors qualify as independent directors, within the meaning of the NASDAQ Marketplace Rules. See Item 6.C. “Directors, Senior Management and Employees - Board Practices - NASDAQ Exemptions for a Controlled Company.”

The independent directors of our company will meet at the meetings of the audit committee to discuss our annual and interim financial statements. At such sessions the independent directors will also discuss and approve transaction with interested parties, including recommending the compensation of all our senior officers, and will also nominate directors to be approved by our shareholders at the annual general meeting of shareholders. Our executive officers do not participate in any discussions or decisions that involve any aspect of their compensation.

Our board of directors has determined that our External directors qualify as independent directors under the requirements of the Securities and Exchange Commission and NASDAQ and as outside directors under the Israeli Companies Law requirements. Our board of directors has further determined that Ms. Daniela Yaron-Zoller qualifies as an independent director under the requirements of the Securities and Exchange Commission and NASDAQ.

Audit Committee

Under the Israeli Companies Law, the board of directors of any public company must establish an audit committee. The audit committee must consist of at least three directors and must include all of the outside directors. The audit committee may not include the chairman of the board of directors, any director employed by the company or providing services to the company on an ongoing basis, or a controlling shareholder or any of the controlling shareholder's relatives.

In addition, the NASDAQ Marketplace Rules require us to establish an audit committee comprised of at least three members, all of whom must be independent directors, each of whom is financially literate and satisfies the respective "independence" requirements of the Securities and Exchange Commission and NASDAQ and one of whom has accounting or related financial management expertise at senior levels within a company.

Our audit committee assists our Board of Directors in overseeing the accounting and financial reporting processes of our company and audits of our financial statements, including the integrity of our financial statements, compliance with legal and regulatory requirements, our independent registered public accountants' qualifications and independence, the performance of our internal audit function and independent registered public accountants, finding any defects in the business management of our company and proposing to our Board of Directors ways to correct such defects, approving related-party transactions as required by Israeli law, and such other duties as may be directed by our Board of Directors. The audit committee may consult from time to time with our independent auditors and internal auditor with respect to matters involving financial reporting and internal accounting controls.

Our audit committee consists of three members of our Board of Directors who satisfy the respective "independence" requirements of the Securities and Exchange Commission, NASDAQ and Israeli law for audit committee members. Our Board of Directors has determined that each member of our audit committee qualifies as an audit committee financial expert, as defined by rules of the Securities and Exchange Commission. The audit committee meets at least once each quarter.

Internal Audit

The Israeli Companies Law requires the board of directors of a public company to appoint an internal auditor nominated by the audit committee. The role of the internal auditor is to examine, among other things, the compliance of the Company's conduct with applicable law and orderly business practice. The internal auditor must meet certain statutory requirements of independence. Mr. Doron Cohen has served as our internal auditor since December 24, 2008.

Directors' Service Contracts

There are no arrangements or understandings between us and any of our subsidiaries, on the one hand, and any of our directors, on the other hand, providing for benefits upon termination of their employment or service as directors of our company or any of our subsidiaries.

Approval of Related Party Transactions under Israeli Law

Fiduciary Duties of Office Holders

The Israeli Companies Law codifies the fiduciary duties that "office holders," including directors and executive officers, owe to a company. An "office holder" is defined in the Israeli Companies Law as a director, general manager, chief business manager, deputy general manager, vice general manager, other manager directly subordinate to the general manager or any other person assuming the responsibilities of any of the foregoing positions without regard to such person's title. An office holder's fiduciary duties consist of a duty of care and a duty of loyalty. The duty of care requires an office holder to act at a level of care that a reasonable office holder in the same position would employ under the same circumstances. This includes the duty to utilize reasonable means to obtain (i) information regarding the business feasibility of a given action brought for his approval or performed by him by virtue of his position and (ii) all other information of importance pertaining to the foregoing actions. The duty of loyalty requires that an office holder act in good faith and for the benefit of the company, including (i) avoiding any conflict of interest between the office holder's position in the company and any other position he holds or his personal affairs, (ii) avoiding any competition with the company's business, (iii) avoiding exploiting any business opportunity of the company in order to receive personal gain for the office holder or others, and (iv) disclosing to the company any information or documents relating to the company's affairs that the office holder has received by virtue of his position as an office holder.

Disclosure of Personal Interests of an Office Holder; Approval of Transactions with Office Holders

The Israeli Companies Law requires that an office holder promptly, and no later than the first board meeting at which such transaction is considered, disclose any personal interest that he or she may have and all related material information known to him or her and any documents in their position, in connection with any existing or proposed transaction by us. In addition, if the transaction is an extraordinary transaction, that is, a transaction other than in the ordinary course of business, other than on market terms, or likely to have a material impact on the company's profitability, assets or liabilities, the office holder must also disclose any personal interest held by the office holder's spouse, siblings, parents, grandparents, descendants, spouse's descendants and the spouses of any of the foregoing, or by any corporation in which the office holder or a relative (as such term is described above) is a 5% or greater shareholder, director or general manager or in which he or she has the right to appoint at least one director or the general manager.

Under the Israeli Companies Law, all arrangements as to compensation of office holders who are not directors require approval by the board of directors, and exculpation, insurance and indemnification of, or an undertaking to, indemnify an office holder who is not a director requires both board of directors and audit committee approval. The compensation of office holders who are directors must be approved by our audit committee, board of directors and shareholders.

Some transactions, actions and arrangements involving an office holder (or a third party in which an office holder has an interest) must be approved by the board of directors or as otherwise provided for in a company's articles of association, however, a transaction that is adverse to the company's interest may not be approved. In some cases, such a transaction must be approved by the audit committee and by the board of directors itself, and under certain circumstances shareholder approval may be required. A director who has a personal interest in a transaction that is considered at a meeting of the board of directors or the audit committee may not be present during the board of directors or audit committee discussions and may not vote on the transaction, unless the transaction is not an extraordinary transaction or the majority of the members of the board or the audit committee have a personal interest, as the case may be. In the event the majority of the members of the board of directors or the audit committee have a personal interest, then the approval of the general meeting of shareholders is also required.

Disclosure of Personal Interests of a Controlling Shareholder; Approval of Transactions with Controlling Shareholders

The disclosure requirements that apply to an office holder also apply to a transaction in which a controlling shareholder of the company has a personal interest. The Israeli Companies Law provides that an extraordinary transaction with a controlling shareholder or an extraordinary transaction with another person in whom the controlling shareholder has a personal interest or a transaction with a controlling shareholder or his relative regarding terms of service and employment, must be approved by the audit committee, the board of directors and shareholders. The shareholder approval for such a transaction must include at least one-third of the shareholders who have no personal interest in the transaction who voted on the matter (not including abstentions). The transaction can be approved by shareholders without this one-third approval if the total shareholdings of those shareholders who have no personal interest and voted against the transaction do not represent more than one percent of the voting rights in the company.

Under the Companies Regulations (Relief from Related Party Transactions), 5760-2000, promulgated under the Israeli Companies Law, as amended, certain extraordinary transactions between a public company and its controlling shareholder(s) do not require shareholder approval. In addition, under such regulations, directors' compensation and employment arrangements in a public company do not require the approval of the shareholders if both the audit committee and the board of directors agree that such arrangements are solely for the benefit of the company or if the directors' compensation does not exceed the maximum amount of compensation for outside directors determined by applicable regulations. Also, employment and compensation arrangements for an office holder that is a controlling shareholder of a public company do not require shareholder approval if certain criteria are met. The foregoing exemptions from shareholder approval will not apply if one or more shareholders holding at least 1% of the issued and outstanding share capital of the company or of the company's voting rights, objects to the use of these exemptions provided that such objection is submitted to the company in writing not later than fourteen days from the date of the filing of a report regarding the adoption of such resolution by the company. If such objection is duly and timely submitted, then the transaction or compensation arrangement of the directors will require shareholders' approval as detailed above.

In addition, a private placement of securities that will (i) cause a person to become a controlling shareholder or (ii) increase the relative holdings of a shareholder that holds 5% or more of the company's outstanding share capital, or (iii) will cause any person to become, as a result of the issuance, a holder of more than 5% of the company's outstanding share capital in a private placement in which 20% or more of the company's outstanding share capital prior to the placement are offered, the payment for which (in whole or in part) is not in cash or not under market terms, requires approval by the board of directors and the shareholders of the company.

The Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 25% or greater shareholder of the company. This rule does not apply if there is already another 25% or greater shareholder of the company. Similarly, the Israeli Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would hold greater than a 45% interest in the company, unless there is another shareholder holding more than a 45% interest in the company. These requirements do not apply if, in general, the acquisition was made in a private placement that received shareholder approval, (i) was from a 25% or greater shareholder of the company which resulted in the acquirer becoming a 25% or greater shareholder of the company, if there is not already a 25% or greater shareholder of the company, or (ii) was from a shareholder holding a 45% interest in the company which resulted in the acquirer becoming a holder of a 45% interest in the company if there is not already a 45% or greater shareholder of the company.

If, as a result of an acquisition of shares, the acquirer will hold more than 90% of a public company's outstanding shares or a class of shares, the acquisition must be made by means of a tender offer for all of the outstanding shares or a class of shares. In such event, if less than 5% of the outstanding shares are not tendered in the tender offer, all the shares that the acquirer offered to purchase will be transferred to the acquirer. The Israeli Companies Law provides for appraisal rights if any shareholder files a request in court within three months following the consummation of a full tender offer. If more than 5% of the outstanding shares are not tendered in the tender offer, then the acquirer may not acquire shares in the tender offer that will cause his shareholding to exceed 90% of the outstanding shares.

Exculpation, Indemnification and Insurance of Directors and Officers

Exculpation of Office Holders

The Israeli Companies Law provides that an Israeli company cannot exculpate an office holder from liability with respect to a breach of his duty of loyalty, but may, if permitted by its articles of association, exculpate in advance an office holder from his liability to the company, in whole or in part, with respect to a breach of his or her duty of care. However, a company may not exculpate in advance a director from his or her liability to the company with respect to a breach of his duty of care in the event of distributions.

Insurance for Office Holders

The Israeli Companies Law provides that a company may, if permitted by its articles of association, enter into a contract to insure an office holder for acts or omissions performed by the office holder in such capacity for:

Breach of his or her duty of care to the company or to another person;

Breach of his or her duty of loyalty to the company, provided that the office holder acted in good faith and had reasonable cause to assume that his act would not prejudice the company's interests; and

Monetary liability imposed upon the office holder in favor of another person.

Indemnification of Office Holders

The Israeli Companies Law provides that a company may, if permitted by its articles of association, indemnify an office holder for acts or omissions performed by the office holder in such capacity for:

Monetary liability imposed on the office holder in favor of another person by any judgment, including a settlement or an arbitrator's award approved by a court;

Reasonable litigation expenses, including attorney's fees, actually incurred by the office holder as a result of an investigation or proceeding instituted against him or her by a competent authority, provided that such investigation or proceeding concluded without the filing of an indictment against the office holder or the imposition of any monetary liability in lieu of criminal proceedings, or concluded without the filing of an indictment against the office holder and a monetary liability was imposed on the officer holder in lieu of criminal proceedings with respect to a criminal offense that does not require proof of criminal intent; and

Reasonable litigation expenses, including attorneys' fees, incurred by such office holder or which were imposed on him by a court, in proceedings the company instituted against the office holder or that were instituted on the company's behalf or by another person, or in a criminal charge from which the office holder was acquitted, or in a criminal proceeding in which the office holder was convicted of a crime which does not require proof of criminal intent.

In accordance with the Israeli Companies Law, a company's articles of association may permit the company to:

Undertake in advance to indemnify an office holder, except that with respect to a financial liability imposed on the office holder by any judgment, settlement or court-approved arbitration award, the undertaking must be limited to types of occurrences, which, in the opinion of the company's board of directors, are, at the time of the undertaking, foreseeable due to the company's activities and to an amount or standard that the board of directors has determined is reasonable under the circumstances; and

Retroactively indemnify an office holder of the company.

Limitations on Exculpation, Insurance and Indemnification

The Israeli Companies Law provides that neither a provision of the articles of association permitting the company to enter into a contract to insure the liability of an office holder, nor a provision in the articles of association or a resolution of the board of directors permitting the indemnification of an office holder, nor a provision in the articles of association exempting an office holder from duty to the company shall be valid, where such insurance, indemnification or exemption relates to any of the following:

Breach by the office holder of his duty of loyalty, except with respect to insurance coverage or indemnification if the office holder acted in good faith and had reasonable grounds to assume that the act would not prejudice the company;

Breach by the office holder of his duty of care if such breach was committed intentionally or recklessly, unless the breach was committed only negligently;

Any act or omission committed with intent to derive an unlawful personal gain; and

Any fine or forfeiture imposed on the office holder.

In addition, pursuant to the Israeli Companies Law, exemption of, procurement of insurance coverage for, an undertaking to indemnify or indemnification of an office holder must be approved by the audit committee and the board of directors and, if such office holder is a director or a controlling shareholder or a relative of the controlling shareholder, also by the shareholders general meeting. A special majority at the general meeting is required if a controlling shareholder is interested in such transaction as an office holder or as a relative of an office holder, as described above.

Our articles of association allow us to insure, indemnify and exempt our office holders to the fullest extent permitted by law, subject to the provisions of the Israeli Companies Law. We currently maintain directors' and officers' liability insurance to cover liabilities of the higher of \$10 million or 25% of our equity capital (net worth), per claim and in the aggregate. In July 2004, our shareholders approved a form of directors and officers letter of indemnification and exemption for liabilities and expenses incurred as a result of their acts in their capacity as directors and officers of our company, in an aggregate amount not to exceed \$5.0 million or 25% of our equity capital (net worth).

On February 8, 2009, following the approval by our board of directors and audit committee, our shareholders approved the purchase of a tail (runoff) policy insuring the directors and officers of our company in office prior to the acquisition of the control by Isal Amlat, as part of Isal Amlat's obligations under the purchase agreement. The resolution to obtain such policy was adopted by a super majority vote, as required for the approval of transactions with related parties under Israeli law. The policy will be in effect for 7 years, until January 1, 2015. The coverage limit under such policy is 10 million dollars and the premium for such policy is 115,000 dollars for the term of the policy.

Following our acquisition of the shares of Limco held by the public in July 2009 we purchased a tail policy insuring the former directors and officers of Limco. The coverage limit under the policy is \$25 million and the premium for such policy is \$190,000 dollars for the term of the policy.

On March 14, 2010, our board of directors and audit committee approved the purchase of a directors and officers insurance policy for the directors and officers of our company and its subsidiaries, Limco and Bental, and its controlling shareholder TAT Industries. The coverage limit under the policy is 25 million dollars and the premium for the insurance term (one year) is 135,000 dollars.

NASDAQ Exemptions for a Controlled Company

We are a controlled company within the meaning of NASDAQ Marketplace Rule 5615(c)(2), or Rule 5615(c)(2), because KMN beneficially owns more than 50% of our voting shares.

Under Rule 5615(c)(2), a controlled company is exempt from the following requirements of NASDAQ Marketplace Rules 5605(b)(1), 5605(d) and 5605(e) that would otherwise require that:

The majority of the company's board of directors qualifies as independent directors, as defined under NASDAQ Marketplace Rules.

The compensation of the chief financial officer and all other executive officers be determined, or recommended to the board of directors for determination, either by (i) a majority of the independent directors or (ii) a compensation committee comprised solely of independent directors.

Director nominees must either be selected or recommended for the board of directors, either by (a) a majority of independent directors or (b) a nominations committee comprised solely of independent directors.

We intend to continue to rely on these exemptions provided under Rule 5615(c)(2).

C. Employees

As of December 31, 2009, we and our subsidiaries employed 530 employees, of whom 410 were employed in manufacturing and quality control, 56 were employed in engineering and research and development and 64 were employed in administration, sales and marketing. Of such employees, 303 were located in Israel and 227 were employed by Limco-Piedmont and located in the United States.

Certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations (including the Industrialists Association) are applicable to our Israeli employees by order of the Israeli Ministry of Labor. These provisions concern mainly the length of the workday, minimum daily wages for professional workers, contributions to a pension fund, insurance for work-related accidents, procedures for dismissing employees, determination of severance pay and other conditions of employment. We generally provide our employees with benefits and working conditions beyond the required minimums. Furthermore, under the collective bargaining agreements, the wages of most of our employees are linked to the Consumer Price Index, although the extent of the linkage is limited.

In addition, Israeli law generally requires severance pay upon the retirement or death of an employee or termination of employment without due cause. Furthermore, Israeli employees and employers are required to pay predetermined sums to the National Insurance Institute which is similar to the United States Social Security Administration. The payments thereto amount to approximately 12% of wages, with the employee contributing approximately 43% and the employer approximately 56%.

A general practice followed by us, although not legally required, is the contribution of monies on behalf of its senior employees to a fund known as "Management Insurance." This fund provides a combination of savings plan, insurance and severance pay benefits to the employee, giving the employee a lump sum payment upon retirement and securing his right to receive severance pay, if legally entitled, upon termination of employment. The employee contributes an amount equal to approximately 5%-6% of his wages and the employer contributes an additional amount of approximately 13-1/3% - 16% of such wages.

D. Share Ownership

Beneficial Ownership of Executive Officers and Directors

Except as set forth in item 7A below, none of our directors and executive officers beneficially owns more than 1% of our outstanding shares.

Stock Option Plans

On August 14, 2008, TAT's Board of Directors approved the grant to TAT's CEO of options to purchase 65,477 ordinary shares of TAT which represented 1% of the then outstanding share capital on a fully diluted basis. The options are exercisable in 3 equal portions vested after 2, 3 and 4 years commencing on May 19, 2008 and have an exercise price of \$6.15 per share. The fair value of the options was calculated based on Black & Scholes model and is \$191,000. Compensation expenses attributable to outstanding stock options were \$63 and \$47 for the years ended December 31, 2009 and 2008.

On May 12, 2010 TAT's board of directors approved, subject to stockholders approval at the annual meeting, a new stock option plan covering s an aggregate of 280,000 ordinary shares. As of the date hereof, no options have been granted under the new plan.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

Isal Amlat, a Tel Aviv Stock Exchange publicly traded company, organized under the laws of the State of Israel, is the beneficial holder of 53.7% of TAT's outstanding shares (4,732,351 shares), of which 10.06% (886,443 shares) are held directly by it and 43.6% (3,845,908 shares) are held directly by TAT's parent company TAT Industries. TAT Industries is 79.33% controlled by Isal Amlat. Isal Amlat is 81.65% controlled by KMN Holdings Ltd., an Israeli company publicly traded on the Tel Aviv Stock Exchange, which is 60.2% controlled by Ron Elroy. Leap-Tide Capital Management Inc., which is controlled by Mr. Jan Loeb, a member of our board of directors, is the beneficial holder of 5.9% of TAT's ordinary shares (522,607 shares). No other shareholder of TAT beneficially owns 5% or more of TAT's ordinary shares

The following table sets forth certain information as of June 28, 2010, regarding the beneficial ownership by all shareholders known to us to own beneficially 5% or more of our ordinary shares:

Name	Number of Ordinary Shares Beneficially Owned(1)	Percentage of Ownership(2)	
Isal Amlat Investments (1993) Ltd. (3)	4,732,351	53.7	%
TAT Industries (4)	3,845,908	43.6	%
Leap-Tide Capital Management Inc.,	522,607	5.9	%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Ordinary shares relating to options and warrants currently exercisable or exercisable within 60 days of the date of this table are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) The percentages shown are based on 8,815,003 ordinary shares issued and outstanding as of June 28, 2010 (net of 258,040 dormant shares).

(3) Includes 886,443 ordinary shares held directly by Isal Amlat and 3,845,908 ordinary shares held directly by TAT Industries, which is 79.33% controlled by Isal Amlat. As such, Isal Amlat may be deemed to be the beneficial owner of the aggregate 4,632,351 ordinary shares held directly by itself and TAT Industries. Isal Amlat is 81.65% controlled by KMN Holdings Ltd., an Israeli company publicly traded on the Tel Aviv Stock, which is 60.2% controlled by Ron Elroy.

(4) TAT Industries is 79.33% controlled by Isal Amlat. As such, Isal Amlat may be deemed to be the beneficial owner of the aggregate 3,845,908 ordinary shares held directly by TAT Industries. Isal Amlat is 81.65% controlled by KMN Holdings Ltd., an Israeli company publicly traded on the Tel Aviv Stock, which is 60.2% controlled by Ron Elroy.

Significant Changes in the Ownership of Major Shareholders

On December 19, 2007, Isal Amlat Industries (1994) Ltd. ("Isal Industries") purchased the controlling interests in TAT and in TAT Industries, TAT's controlling shareholder, by purchasing from Mr. Shlomo Ostersetzer, the former Chairman of TAT's Board of Directors and TAT's former President, Mr. Dov Zeelim, the former Vice Chairman of TAT's Board of Directors and TAT's former Chief Executive Officer, and FIMI Opportunity Fund, or FIMI, 10% of TAT's then outstanding ordinary shares for consideration of NIS 50.4M, and 54% of TAT Industries' then outstanding ordinary shares for consideration of NIS 105.3M.

The agreement between Isal Amlat and Mr. Zeelim, as amended on January 31, 2008, provided Isal Amlat with additional shares in TAT Industries purchased from Mr. Zeelim.

Pursuant to an agreement between Isal Amlat and Mr. Zeelim entered into in May 2008 in connection with Mr. Zeelim's resignation from the office of Chief Executive Officer of TAT, Mr. Zeelim exercised his put option on June 12, 2008 and 4.17% of TAT Industries' then outstanding ordinary shares were purchased by Isal Amlat.

On July 17, 2008 Isal Amlat and FIMI amended the terms of their agreement. Accordingly, 141,443 of TAT's ordinary shares constituting then 2% of TAT's outstanding shares were purchased by Isal Amlat in December 2008 at a price per share of \$19.343 and the remaining 100,000 of TAT's ordinary shares constituting then 1.1% of TAT's outstanding shares were purchased by Isal Amlat in November 2009 for a total consideration of USD 2 M.

In March 2008 and in September 2008, the board of directors of our parent company, TAT Industries, authorized the purchase by TAT Industries of up to NIS 20 million (approximately \$5.8 million) and NIS 10 million (approximately \$2.9 million), respectively, of our ordinary shares. TAT Industries purchased ordinary shares of our company for an aggregate purchase price of 6.5 million dollars under such purchase plans.

On March 11, 2009 and on August 13, 2009, TAT's board of directors authorized its management to engage Oppenheimer Israel Investment House for the blind trust purchase of TAT's shares under rule 10b5-1 of the Securities Exchange Act of 1934. The first purchase plan, which was discontinued on March 26, 2009, resulted on the purchase of 4,650 shares for a cumulative amount of \$ 26 thousand. The second purchase plan included licensing Oppenheimer Israel to purchase shares of TAT on a foreign stock exchange in an aggregate amount of up to \$2 million (approximately NIS 7.8 million) for a period of six months and at a price not exceeding \$9 per share. As of December 31, 2009, 253,390 shares were purchased, representing about 2.8% of the Company's share capital in consideration of approximately \$2 million (an average of \$7.90 per share). The purchased shares became dormant as defined in the Companies Law.

Major Shareholders Voting Rights

Our major shareholders do not have different voting rights.

Record Holders

Based on a review of the information provided to us by our transfer agent, as of June 28, 2010, there were 48 holders of record of our ordinary shares, of which 39 record holders holding less than 1.0% of our ordinary shares had registered addresses in the United States. These numbers are not representative of the number of beneficial holders of our shares nor is it representative of where such beneficial holders reside since many of these ordinary shares were held of record by brokers or other nominees including CEDE & Co., the nominee for the Depository Trust Company (the central depository for the U.S. brokerage community), which held approximately 70% of our outstanding ordinary shares as of such date.

B. Related Party Transactions

Management and Services Agreement

In February 2000, TAT entered into an agreement with TAT Industries, TAT'S controlling shareholder, to purchase operations of TAT Industries relating to the manufacture of aviation accessories and the lease of certain real estate and buildings. Pursuant to the terms of this agreement, all of the employees of TAT Industries were transferred to TAT us effective January 1, 2000, without any change in the conditions of their employment. TAT Industries pays TAT \$50,000 per year for administrative and accounting personnel and secretarial staff, who served as employees of TAT Industries before they were transferred to TAT and who continue to provide such services.

In addition, pursuant to the terms of the agreement, TAT entered into a lease agreement, pursuant to which TAT leased from TAT Industries, effective as of January 1, 2000, an area of approximately 344,000 square feet, including 90,000 square feet of manufacturing, office and storage space, for a period of 24 years and eleven months. In consideration for the lease agreement, TAT agreed to pay TAT Industries annual rental fee of \$300,000, with an additional incremental payment of 2% per year, such rental fee is subject to revaluation every fifth year. In 2005, the rental fee was revaluated by a real estate appraiser, and as a result the base fee was increased to \$310,000 per year with an additional incremental payment of 2% per year. The rental fee will be revaluated in 2010.

Management Agreement with ISAL

On February 8, 2009, following the approval of TAT's Board of Directors and audit committee, TAT's shareholders approved the entry by the company into a management agreement with TAT's controlling shareholder, Isal Amlat, by the special majority required by Israeli law. Pursuant to the management agreement, in consideration of the management services provided by Isal Amlat, TAT will pay to Isal Amlat an amount of \$100,000 plus VAT per fiscal quarter, commencing retroactively from October 1, 2008. The agreement will be in effect for 4 years unless earlier terminated by either party by a 4 month prior notice. Under the agreement, the scope of services are subject to annual review by the Board of Directors and audit committee and upon their determination that a material change has occurred that requires the update of the agreement, the company will take all actions to obtain all the requisite approvals to such amendment.

Other Transactions

TAT has commercial relationships in the ordinary course of business, with certain companies that are controlled by KMN Holdings, TAT's indirect controlling shareholder: KMN Trades and Metals, Ika Laboratories Ltd., Alexandrovitzh Ltd. and Hagail Industries Ltd. During fiscal year 2009, TAT purchased from such companies raw materials and services in an aggregate amount of \$790, all in arms length transactions. The total volume of these transactions is considered as immaterial and did not exceed 1% of the Company's over whole operations.

Other Relationships

Dr. Shmuel Fledel, TAT's Chief Executive Officer and Mr. Yaron Shalem, TAT's Chief Financial Officer, also serve in the same positions in TAT Industries.

Dr. Avraham Ortel, the Chief Executive Officer of Limco also serves as the Chief Executive Officer of KMN Capital Limited, a subsidiary of KMN Holdings Ltd.

Dr. Shmuel Fledel, TAT's Chief Executive Officer and Dr. Avraham Ortel, the Chief Executive Officer of Limco, also serve as directors of FAvS.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

See the consolidated financial statements, including the notes thereto, included in Item 18.