SPESCOM SOFTWARE INC
Form S-1
April 07, 2006

As filed with the Securities and Exchange Commission on April 7, 2006

Registration NO. 333-[ ]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

Under
THE SECURITIES ACT OF 1933

SPESCOM SOFTWARE INC.

(Exact Name of Registrant as Specified in Its Charter)

California	7373	95-3634089

(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification Number)

10052 Mesa Ridge Court, Suite 100
San Diego, California 92121
(858) 625-3000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Agent for Service:

Copy to:

John W. Low
Chief Financial Officer and Secretary
Spescom Software Inc.
10052 Mesa Ridge Court, Suite 100
San Diego, California 92121
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(Name and address, including zip code, and telephone number, including area code, of agent for service)

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares, no par value	36,588,652	$ 0.12	$ 4,390,638(1)	$ 469.80
Common Shares, no par value, underlying certain of selling shareholders warrants	1,851,852	$ 0.27	$ 500,000(2)	$ 53.50
Common Shares, no par value, underlying certain of selling shareholders warrants	300,000	$ 0.12	$ 36,000(2)	$ 3.85
Common Shares, no par value, underlying certain of selling shareholders warrants	3,025,000	$ .44	$ 1,331,000(2)	$ 142.42
Common Shares, no par value, underlying certain of selling shareholders warrants	1,550,000	$ .40	$ 620,000(2)	$ 66.34
Total	43,315,504			$ 735.91

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended. The average of the high and low prices as of April 5, 2006 was $0.12 per share.

(2) In accordance with Rule 457(g), the proposed maximum aggregate offering price of shares issuable upon the exercise of warrants is based on a proposed maximum offering price per unit equal to the higher of (i) the exercise price of the warrants, (ii) the offering price of the common shares in the registration statement, or (iii) the average sales price of the common shares as determined by 457(c).

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated April 7, 2006

PROSPECTUS

43,280,294 Common Shares
Spescom Software Inc.

The selling shareholders named in this prospectus are offering up to 43,315,504 of our common shares, including up to 33,793,103 common shares to be issued upon conversion of Series I Preferred Stock and 6,726,852 common shares issuable upon the exercise of certain warrants. We will not receive any of the proceeds from their sale of our shares, but if the selling shareholders pay the exercise price under any of the options or warrants in cash, we will use those proceeds for general corporate purposes, including working capital.

Our common shares are currently listed on the Over the Counter Bulletin Board (OTCBB). Our trading symbol is SPCO.OB.

Investing in our shares involves a high degree of risk. See Risk Factors beginning on page 6 of this prospectus to read about the risks you should consider before buying our shares.

The selling shareholders are offering these common shares. The selling shareholders may sell all or a portion of these shares from time to time in market transactions through any market on which our common shares are then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The selling shareholders will receive all proceeds from the sale of the common shares. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 7, 2006

TABLE OF CONTENTS

	Page
PROSPECTUS SUMMARY	3
RISK FACTORS	5
INFORMATION REGARDING FORWARD-LOOKING STATEMENTS	12
USE OF PROCEEDS	13
DILUTION	13
SELLING SHAREHOLDERS	15
PLAN OF DISTRIBUTION	17
DESCRIPTION OF CAPITAL STOCK	19
LEGAL MATTERS	22
EXPERTS	23
BUSINESS	23
PROPERTIES	37
LEGAL PROCEEDINGS	38
MARKET PRICE OF AND DIVIDENDS ON THE COMPANY S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	38
SELECTED FINANCIAL DATA	39
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	41
CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES	57
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	57
DIRECTORS AND EXECUTIVE OFFICERS	58
EXECUTIVE COMPENSATION	60
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	65
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	66
WHERE YOU CAN FIND MORE INFORMATION	67
FINANCIAL STATEMENTS AND CERTAIN OTHER FINANCIAL INFORMATION	F-1

You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the common shares offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any common shares in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in us. You should read the entire prospectus carefully before making an investment decision. The sections entitled Risk Factors, and Information Regarding Forward-Looking Statements should be read together with the more detailed information in the financial statements and the accompanying notes in the section entitled Financial Statements and Certain Other Financial Information. In this prospectus, references to the Company, we, us or our refer to Spescom Software Inc., except where the context otherwise requires.

Our Company

Overview

Spescom Software Inc. (the Company) was founded and incorporated as a California corporation in 1981 and is headquartered in San Diego, California with an international sales and support subsidiary in London, United Kingdom. The Company develops, markets and supports eB, its integrated suite of collaborative document, configuration and records management software solutions. The Company s eB suite is a set of software technologies that support, improve and enable collaboration among legacy enterprise solutions. The eB suite enables the efficient capture, management and distribution of all types of information across an enterprise. eB s integration of document, configuration and records management functionality onto a single platform is a major differentiator and significant competitive advantage that allows the Company to address the information management needs of an enterprise in a more holistic manner than solutions provided by other vendors.

In 2000, the Company acquired the rights to certain configuration management technology and skills from Spescom Ltd. (Spescom Ltd.), which at the same time acquired a controlling interest in the Company. From this combination of document and configuration management technologies and skills, the Company began doing business as Spescom Software Inc. on October 1, 2001. As of March 31, 2006, Spescom Ltd. owned approximately 56% of the outstanding common shares of the Company after giving effect to the conversion of the shares of the Company s Series F Preferred Stock held by Spescom Ltd.

The document/content management technology developed by the Company and integrated with the configuration management technology developed by Spescom Ltd. provides a powerful solution to the business and information management challenges faced by enterprises that design, build, manage and operate complex products and assets. The combined document and configuration management capabilities of the eB software suite enables it to provide full IDM functionality together with PDM functionality at price points that satisfy a broad range of user needs. The eB suite enables the management of all unstructured information (documents/content) as well as structured information (product/asset/process) on a single platform, thereby enabling change to be managed across both environments.

The Company s integrated document, configuration and records management (iDCR) solutions enable all requirements (design, safety, environmental, etc.), all documents, structured and unstructured, within an enterprise (including office documents, emails, CAD drawings, images, voice and computer print outs), and all data on products, assets, processes, projects and people to be captured, identified and inter-linked. This results in a unified and structured view of all enterprise information and promotes rapid access to relevant information by authorized users in context to their tasks and functions. eB s collaborative workspace environment provides an automated closed-loop change management process that ensures information integrity throughout the enterprise and compliance with legal, regulatory, corporate, audit and quality requirements.

The Company is building its business strategies around two core strengths. First, the Company s software and related services solve critical and recurring problems for companies operating in complex, asset-intensive industries. Second, the Company s software solutions have clear and significant architectural advantages that enable the Company to offer high value solutions to the Company s users as well as to distinguish itself from its competitors. To capitalize on these strengths, the Company has instituted the following strategic initiatives:

Continue to develop and position eB as a critical but complementary enterprise platform.

Continue investment in the Company s direct sales force.

Enter new markets through increased investment in and expansion of strategic partnerships.

Outsource non-core operations.

Opportunistic investing in technology.

Increase the Company s market presence.

The Company intends to continue to extend its position as a technology leader in developing and marketing integrated document, configuration and records management solutions. The Company intends to do this by continuing to enhance the features and functionality of its eB product suite using industry best practices, customer input and feedback and current technologies, including tools to allow users to tailor the look and feel of the product, administrative tools to enable systems operators to easily setup and make changes to the system and add tighter integration with other third party enterprise products. Through this enhanced functionality and integration the Company s products can provide even faster deployment and greater management control of enterprise information. The Company also plans to introduce new products and product extensions which are complementary to its existing suite of products and which address both existing and emerging market needs.

During 2005, the Company released a major update to eB 14 which is the Company s flagship platform based on the Microsoft .NET architecture. This platform has over two years of proven production use in high-volume / high-usage environments. Existing customers continue to migrate to eB Version 14, generating service revenue and new license opportunities. The Company expects that the migration of existing customers will take place over the next 12 to 24 months. In 2005, the eB product was certified by the Institute of Configuration Management, to be compliant with their CMII standard. The Company will continue to enhance its records management capabilities to fully comply with Department of Defense records management standard 5015.2. The Company is developing specific applications for the vertical markets on which the Company has focused, providing additional license and services revenue from existing customers, as well as new marketing and sales opportunities into the selected vertical markets. During 2005, the Company obtained Gold Partner status from Microsoft and is participating in Microsoft beta and new product launch programs, which allows the Company to properly plan for support of the latest and soon to be released computing environments.

The Company s principal executive offices are located at 10052 Mesa Ridge Court, Suite 100, San Diego, California 92121 and the Company s general telephone number is (858) 625-3000.

This Offering

Shares offered by the selling shareholders	43,315,504, including 33,793,103 shares of common stock issuable upon conversion of the Company s Series I Preferred Stock and 6,726,852 shares of common stock issuable upon exercise of warrants (collectively, the Warrants).
Use of proceeds	We will not receive any proceeds from the sale of common shares by the selling shareholders. The proceeds from this offering are solely for the account of the selling shareholders. We may receive proceeds from any exercise of the Warrants. Any net proceeds that we receive from any exercise of the Warrants will be used for general corporate purposes, including working capital for our business.
Risk factors	The purchase of our common stock involves a high degree of risk. You should carefully review and consider Risk Factors beginning on page 5.
OTC Bulletin Board Trading Symbol	SPCO.OB

RISK FACTORS

An investment in our shares involves a high degree of risk. Before making an investment decision, you should carefully consider all of the risks described in this prospectus. If any of the risks discussed in this prospectus actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the price of our shares could decline significantly and you may lose all or a part of your investment. The risk factors described below are not the only ones that may affect us. Additional risks and uncertainties that we do not currently know about or that we currently deem immaterial may also adversely affect our business, financial condition and results of operations. Our forward-looking statements in this prospectus are subject to the following risks and uncertainties. Our actual results could differ materially from those anticipated by our forward-looking statements as a result of the risk factors below. See Information Regarding Forward-Looking Statements.

The Company has a history of significant losses. If we do not sustain profitability, our financial condition and stock price could suffer.

The Company has a history of losses and may incur losses in the foreseeable future. We incurred net losses of $6,049,000, $223,000 and $3,004,000 for the fiscal years 2005, 2004 and 2003, respectively. For the three months ended December 31, 2005 we incurred a loss of $767,000. As of December 31, 2005, our accumulated deficit was $90,970,000. If revenues do not reach the levels the Company anticipates, or if operating expenses exceed the Company s expectations, the Company may not be able to achieve or sustain profitability in the near future or at all. If the Company is unable to achieve and sustain profitability at satisfactory levels, its financial condition and stock price could be materially adversely affected.

The Company will be controlled by Spescom Ltd. and its subsidiaries as long as they are entitled to a majority of the votes eligible to be cast in the election of directors.

As of March 31, 2006, Spescom Ltd. (together with its subsidiaries), by virtue of its ownership of common stock and Series F Preferred Stock, was entitled to 27,408,249, or 56%, of the total number of votes eligible to be cast in the election of directors. Spescom Ltd. therefore currently has the ability to elect the Company s entire board of directors. Moreover, even if the above-referenced percentage were to drop below 50%, it is likely that Spescom Ltd. would have sufficient votes to retain control of the Company. As a result, Spescom Ltd. will likely continue to control all matters affecting the Company, including but not limited to:

the composition of the Company s board of directors and, through it, any determination with respect to the Company s business direction and policies, including the appointment and removal of officers;

the allocation of business opportunities that may be suitable for the Company and Spescom Ltd.;

any determinations with respect to mergers or other business combinations or extraordinary transactions;

the Company s acquisition or disposition of assets; and

the Company s financing.

Spescom Ltd. is not prohibited from selling a controlling interest in us to a third party.

Notwithstanding the foregoing discussion, if certain affiliates of M.A.G. Capital, LLC become entitled to elect a majority of the authorized directors, as discussed below, Spescom Ltd. would cease to control the Company. Spescom Ltd., however, would continue to exert significant influence over matters other than the election of directors for which shareholder approval is required under applicable law, such as certain types of mergers and other business combinations.

One or more affiliates of M.A.G. Capital, LLC, as holders of Series I Convertible Preferred Stock, may become entitled to elect a majority of the Board of Directors if certain corporate transactions do not occur on or before April 30, 2006.

Under the Certificate of Determination for the Series I Convertible Preferred Stock, if the Company has not entered into a binding agreement to consummate a consolidation, merger, or certain other corporate transactions meeting certain requirements on or before April 30, 2006, the holders of Series I Preferred Stock may, by a two-thirds vote not later than December 31, 2006, elect to have all of the outstanding Series I Preferred Stock redeemed by the Company at an amount equal to $1,000 per share plus all declared but unpaid dividends. If such election is made and the Company does not have sufficient funds to carry out the redemption, the holders of Series I Preferred Stock as a class will be entitled to elect a majority of the authorized directors of the Company.

There are currently 2,450 shares of Series I Preferred Stock outstanding, which are held by Monarch Pointe Fund, Ltd. (Monarch) and Mercator Momentum Fund III, L.P. (MMF), each an affiliate of M.A.G. Capital, LLC (MAG). In the event that a corporate transaction of the variety discussed in the preceding paragraph does not occur on or before April 30, 2006 and an election for redemption by the holders of Series I Preferred Stock is made, the redemption price is anticipated to be $2,450,000, plus all declared but unpaid dividends. In the event of such an election, unless the Company is able to raise additional debt or equity funds, the Company anticipates that it would not have sufficient funds to carry out the redemption. If the Company were able to raise additional funds, it is likely that existing shareholders would suffer additional substantial dilution. If the election to redeem the Series I Preferred Stock is made and the Company is unable to pay the redemption price, Monarch and MMF would become entitled to elect a majority of the authorized directors of the Company. In this event, those entities, through their majority control of the Board of Directors, would be able to control or (with respect to matters requiring shareholder approval) exert significant influence over all matters affecting the Company, including:

any determination with respect to the Company s business direction and policies, including the appointment and removal of officers;

the allocation of business opportunities that may be suitable for the Company and Spescom Ltd.;

any determinations with respect to mergers or other business combinations or extraordinary transactions;

the Company s acquisition or disposition of assets; and

the Company s financing.

The Company has borrowed funds from Spescom Ltd., which debts are secured by all of the Company s assets, and the Company may become insolvent if repayment of such debt is due prior to the Company s ability to obtain funds to repay such debt or if the Company fails to restructure such debt.

At December 31, 2005, the Company owed, including accrued but unpaid interest, an aggregate amount of $631,000 to Spescom Ltd. Interest accrues on such debt at an annual interest rate of 10%, and such debt is secured by a security interest in favor of Spescom Ltd. on all of the Company s assets. Spescom Ltd. has agreed to extend the maturity date on such debt until October 1, 2006. In addition the Company owes Spescom Ltd. $312,000 relating to certain marketing research and analysis that Spescom Ltd. performed on behalf of the Company. The obligation accrues interest at 11% per annum. Spescom Ltd. has agreed to forego payment on the $312,000 until October 1, 2006. If the Company is unable to generate sufficient cash flow from its operations, secure funds from the capital markets or lenders or restructure its debt to Spescom Ltd., the Company will become insolvent.

The Company may not be able to rely on Spescom Ltd. to fund its future capital requirements, and financing from other sources may not be available on favorable terms or at all.

Although the Company in the past has received funding from Spescom Ltd. for working capital purposes, such additional financing if necessary is not assured. The Company may need financing in the future and such financing from Spescom Ltd. or other sources may not be available on favorable terms or at all. In addition, if Spescom Ltd. is otherwise able to provide additional loans on terms acceptable to the Company, the funding of such loans may be delayed or prevented by currency exchange regulations of the Republic of South Africa, under which Spescom Ltd. is required to apply for and obtain the approval of the South African Reserve Bank before providing any funds to the Company.

The Company believes its capital requirements will vary greatly from quarter to quarter, depending on, among other things, capital expenditures, fluctuations in its operating results, financing activities, and investments and third party products and receivables management. The Company s future liquidity will depend on its ability to generate new system sales of its *e*B product suite in the near term, which cannot be assured. Failure to generate sufficient system sales to meet the Company s cash flow needs can be expected to have a material adverse effect on the Company s business, results of operations, and financial condition. Management believes that the Company s current cash and receivables, as well as additional cash that may be generated from operations, will be sufficient to meet its short-term needs for working capital. However, the Company may not be able to obtain sufficient orders to enable the Company to continue on a cash flow break-even level, which would be necessary to continue operations in the absence of further financing. Future equity financings would be dilutive to the existing holders of the Company s common stock. Future debt financings could involve restrictive covenants.

The Company is dependent on sales to a relatively small number of new customers each quarter, so any failure to close a sale to any customer could have a material adverse effect on its quarterly operating results.

A small number of customers has typically accounted, and will continue in the future to account, for a large percentage of the Company s annual revenues. Florida Power and Light, Constellation Energy Group, and W.H. Smith Ltd. accounted for 16%, 13%, and 11%, respectively, of revenue for the three months ended December 31, 2005. Network Rail accounted 16% of the Company s revenues in fiscal 2005. Network Rail and Constellation Energy Group accounted for 23% and 15%, respectively of revenues for fiscal 2004 while Network Rail accounted for 19% of revenue for fiscal 2003. Because of the Company s reliance on sales to relatively few customers, the loss of any sale could have a material adverse effect on the results of its operations on any given quarter. Additionally, a significant portion of the Company s revenues has historically been, and is expected in the future to be, derived from the sale of systems to new customers. The Company generally incurs significant marketing and sales expense prior to entering into a contract with a new customer that generates revenues. The length of time it takes to establish a new customer relationship typically ranges from 6 to 12 months. As such, the Company may incur significant expenses associated with its sales efforts directed to prospective customers in any particular period before any associated revenues stream begins. If the Company is not successful at obtaining significant new customers or if a small number of customers cancel or delay their orders for its products, then its business and its prospects could be harmed which may cause the price of the Company s common stock to decline.

The Company s operating results are difficult to predict and fluctuate substantially from quarter to quarter and year to year, which may increase the difficulty of financial planning and forecasting and may result in declines in the Company s stock price.

The Company s future operating results may vary from the Company s past operating results, are difficult to predict and may vary from year to year due to a number of factors. Many of these factors are beyond the Company s control. These factors include:

the potential delay in recognizing revenue from license transactions due to revenue recognition rules which the Company must follow;

the tendency to realize a substantial amount of revenue in the last weeks, or even days, of each quarter due to the tendency of some of the Company s customers to wait until quarter or year end in the hope of obtaining more favorable terms;

customer decisions to delay implementation of the Company s products;

the size and complexity of the Company s license transactions;

any seasonality of technology purchases;

demand for the Company s products, which can fluctuate significantly;

the timing of new product introductions and product enhancements by both the Company and its competitors;

changes in the Company s pricing policy;

the publication of opinions concerning us, the Company s products or technology by industry analysts;

changes in foreign currency exchange rates; and

domestic and international economic and political conditions.

One or more of these factors may cause the Company s operating expenses to be disproportionately high or the Company s gross revenues to be disproportionately low during any given period, which could cause the Company s net revenue and operating results to fluctuate significantly. The Company s operating results have fluctuated significantly in the past. You should not rely on the Company s annual operating results to predict its future results because of the significant fluctuations to which the Company s results are subject.

As a result of these and other factors, operating results for any fiscal year are subject to significant variation, and the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful in terms of their relation to future performance. You should not rely upon these comparisons as indications of future performance. It is likely that the Company s future quarterly and annual operating results from time to time will not meet the expectations of public market analysts or investors, which could cause a drop in the price of its common stock.

The Company s market is subject to rapid technological change and if the Company fails to continually enhance its products and services in a timely manner, its revenue and business would be harmed.

The Company must continue to enhance and improve the performance, functionality and reliability of its products and services in a timely manner. The software industry is characterized by rapid technological change, changes in user requirements and preferences, frequent new product and services introductions embodying new technologies, and the emergence of new industry standards and practices that could render the Company s products and services obsolete. The Company has experienced product development delays in the past, and may experience delays in the future. The Company s failure to continually enhance its products and services in a timely manner would adversely impact its business and prospects. In the past, the Company has also discovered that some of its customers desire additional performance and functionality not currently offered by its products. The Company s success will depend, in part, on its ability to internally develop and license leading technologies to enhance its existing products and services, to develop new products and services that address the increasingly sophisticated and varied needs of its customers, and to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The Company s product development efforts with respect to its *e*B product suite are expected to continue to require substantial investments by the Company, and the Company may not have sufficient resources to make the necessary investments. If the Company is unable to adapt its products and services to changing market conditions, customer requirements or emerging industry standards, it may not be able to maintain or increase its revenue and expand its business.

The Company s lack of product diversification means that any decline in price or demand for its products and services would seriously harm its business.

The *e*B product suite and related services have accounted for substantially all of the Company s revenue and this situation is expected to continue for the foreseeable future. Consequently, a decline in the price of, or demand for, the *e*B product suite or related services, or their failure to achieve broad market acceptance, would seriously harm the Company s business.

Significant unauthorized use of the Company s products would result in material loss of potential revenues and the Company s pursuit of protection for its intellectual property rights could result in substantial costs to it.

The Company s software is licensed to customers under license agreements containing provisions prohibiting the unauthorized use, copying and transfer of the licensed program. Policing unauthorized use of the Company s products is difficult and, while the Company is unable to determine the extent to which piracy of its software products exists, any significant piracy of its products could materially and adversely affect the Company s business, results of operations and financial condition. In addition, the laws of some foreign countries do not protect the Company s proprietary rights to as great an extent as do the laws of the United States and the Company s means of protecting its proprietary rights may not be adequate.

The Company relies on third party software products incorporated in its products. Any loss of use to such third party software could result in delays in the Company s product shipments.

The Company relies on certain software that it licenses from third parties, including software that is integrated with internally developed software and used in the Company s products to perform key functions. There can be no assurances that the developers of such software will remain in business, that they will continue to support their products, that their products will otherwise continue to be available to the Company on commercially reasonable terms or that their products are free from bugs or defects. The loss of or inability to maintain any of these software licenses could result in delays or reductions in product shipments until equivalent software can be developed, identified, licensed and integrated, which could adversely affect the Company s business, operating results and financial condition.

If third parties claim that the Company infringes on their patents, trademarks, or other intellectual property rights, it may result in costly litigation or require the Company to make royalty payments.

The Company is not aware that any of its software products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement by the Company with respect to its current or future products. The Company expects that software product developers will increasingly be subject to infringement claims. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays, consume significant management time or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all, which could have a material adverse effect on the Company s business, results of operations and financial condition.

The Company may face product liability claims from its customers.

The Company s license agreements with its customers usually contain provisions designed to limit its exposure to potential product liability claims. It is possible, however, that the limitation of liability provisions contained in the Company s license agreements may not be effective under the laws of some jurisdictions. A successful product liability claim brought against the Company could result in payment by the Company of substantial damages, which would harm its business, operating results and financial condition and cause the price of its common stock to fall.

If the Company loses key personnel, or is unable to attract and retain additional key personnel, the Company may not be able to successfully grow and manage its business.

The Company believes that its future success will depend upon its ability to attract and retain its key technical and management personnel. These employees are not subject to employment contracts. The Company may not be successful in retaining its key employees in the future or in attracting and assimilating replacement or additional key personnel. Any failure in retaining and attracting management personnel may impair its ability to rapidly grow and manage its business.

The Company faces intense competition from several competitors and may be unable to compete successfully.

The market for the Company s products is intensely competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. The Company currently encounters competition from a number of public and private companies, including Electronic Document Management System/Enterprise Content Management vendors such as EMC (formerly Documentum), FileNet, OpenText, Sword and Hummingbird; Enterprise Asset Management vendors such as Indus and MRO/Maximo; and to a lesser extent Product Data Management/Product Lifecycle Management vendors such as Matrix I, PTC and EDS. Many of these direct competitors have significantllign="bottom"> 219 243 $218 91 173 144

Total costs and expenses	2,172	1,276	2,170	1,275	1,254	2,247	2,208
Operating income (loss)	184	(68)	186	$(67)	N/A	N/A	N/A
Interest expense and financing fee amortization	(35)	(25)	(29)	$(21)	N/A	N/A	N/A
Interest income	21	16	21	$16	N/A	N/A	N/A
Other income (loss), net	4	1	4	$1	N/A	N/A	N/A
Net income (loss) before taxes	174	(76)	182	$(71)	N/A	N/A	N/A
Provision for income taxes	(88)	(14)	(88)	$(14)	N/A	N/A	N/A
Net income (loss)	$86	$(90)	$94	$(85)	N/A	N/A	N/A
Basic weighted average number of common shares outstanding	113.9	113.5	133.4	132.6	N/A	N/A	N/A
Basic net income (loss) per share applicable to common stock	$0.76	$(0.80)	$0.70	$(0.64)	N/A	N/A	N/A
Diluted weighted average number of common shares outstanding	121.8	113.5	139.8	132.6	N/A	N/A	N/A
Diluted net income (loss) per share applicable to common stock	$0.71	$(0.80)	$0.67	$(0.64)	N/A	N/A	N/A
Other Financial Data:							
Capital expenditures	$233	$145	$233	$145	$48	$54	$43
Depreciation and amortization	$37	$32	$37	$32	$40	$91	$97
Balance Sheet Data (end of period)(3):							
Cash and cash equivalents	$189	$241	$164	N/A	$1	$3	$4
Working capital(4)	$615	$436	$615	N/A	$431	$481	$474
Total assets	$2,335	$1,657	$2,307	N/A	$1,020	$1,044	$1,093
Total long-term debt	$699	$710	$599	N/A	N/A	N/A	N/A
Shareholders equity	$471	$326	$422	N/A	N/A	N/A	N/A

(1) See Note 2 of the restated consolidated financial statements for further information regarding the restatement.

(2) Includes non-cash stock compensation expense of $41 million, $35 million, $41 million, $35 million, $22 million, $23 million and $13 million for the respective periods starting with the nine months ended September 28, 2006.

(3) Each $1.00 increase or decrease in the assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of the prospectus, would increase or decrease, as applicable, our pro forma cash and cash equivalents, working capital, total assets and total stockholders equity by approximately $10 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after

deducting the estimated underwriting discounts and commissions payable by us.

(4) Ending balance of accounts receivable, inventory and accounts payable on net basis.

Table of Contents

RISK FACTORS

An investment in our class A common stock involves a high degree of risk. You should carefully consider the factors described below in addition to the other information set forth in this prospectus before deciding whether to make an investment in our class A common stock. Any of the following risks could materially adversely affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment.

Risk Factors Related to our Business and Industry

Our commercial business is cyclical and sensitive to commercial airlines profitability. The business of commercial airlines is, in turn, affected by general economic conditions and world safety considerations.

We compete in the aerostructures segment of the aerospace industry. Our business is affected indirectly by the financial condition of the commercial airlines and other economic factors, including general economic conditions and world safety considerations, that affect the demand for air transportation. Specifically, our commercial business is dependent on the demand from passenger airlines for the production of new aircraft. Accordingly, demand for our commercial products is tied to the worldwide airline industry s ability to finance the purchase of new aircraft and the industry s forecasted demand for seats, flights and routes. Similarly, the size and age of the worldwide commercial aircraft fleet affects the demand for new aircraft and, consequently, for our products. Such factors, in conjunction with evolving economic conditions, cause the market in which we operate to be cyclical to varying degrees, thereby affecting our business and operating results.

During the past several years, softening of the global and U.S. economies, reduced corporate travel spending, excess capacity in the market for commercial air travel, changing pricing models among airlines and significantly increased fuel, security and insurance costs have resulted in many airlines reporting, and continuing to forecast, significant net losses. Moreover, during recent years, in addition to the generally soft global and U.S. economies, the September 11, 2001 terrorist attacks, conflicts in Iraq and Afghanistan and concerns relating to the transmission of SARS have contributed to diminished demand for air travel. Many major U.S. air carriers have parked or retired a portion of their fleets and have reduced workforces and flights to mitigate their large losses. From 2001 to 2003, numerous carriers rescheduled or canceled orders for aircraft to be purchased from the major aircraft manufacturers, including Boeing and Airbus. Any protracted economic slump or future terrorist attacks, war or health concerns, including the prospect of human transmission of the Avian Flu Virus, could cause airlines to cancel or delay the purchase of additional new aircraft. If demand for new aircraft decreases, there would likely be a decrease in demand for our commercial aircraft products and our business, financial condition and results of operations could be materially adversely affected.

Our business could be materially adversely affected if one of our components causes an aircraft accident.

Our operations expose us to potential liabilities for personal injury or death as a result of the failure of an aircraft component that has been designed, manufactured or serviced by us or our suppliers. While we believe that our liability insurance is adequate to protect us from future product liability claims, it may not be adequate. Also, we may not be able to maintain insurance coverage in the future at an acceptable cost. Any such liability not covered by insurance or for which third party indemnification is not available could require us to dedicate a substantial portion of our cash flows to make payments on such liability, which could have a material adverse effect on our business, financial condition and results of operations.

An accident caused by one of our components could also damage our reputation for quality products. We believe our customers consider safety and reliability as key criteria in selecting a provider of aerostructures. If an accident were to be caused by one of our components, or if we were otherwise to fail to maintain a satisfactory record of safety and reliability, our ability to retain and attract customers could be materially adversely affected.

Because we depend on Boeing and, to a lesser extent, Airbus, as our largest customers, our sales, cash flows from operations and results of operations will be negatively affected if either Boeing or Airbus reduces the number of products it purchases from us or if either experiences business difficulties.

Currently, Boeing is our largest customer and Airbus is our second-largest customer. For the nine months ended September 28, 2006, approximately 89% and approximately 10% of our combined revenues (assuming the BAE Acquisition occurred on January 1, 2006) were generated from sales to Boeing and Airbus, respectively. Although we intend to diversify our customer base by entering into supply arrangements with additional customers, we cannot assure you that we will be successful in doing so. Even if we are successful in retaining new customers, we expect that Boeing and, to a lesser extent, Airbus, will continue to account for a substantial portion of our sales for the foreseeable future. Although we are a party to various supply contracts with Boeing and Airbus which obligate Boeing and Airbus to purchase all of their requirements for certain products from us, if we breach certain obligations under these supply agreements and Boeing or Airbus exercises its right to terminate such agreements, our business will be materially adversely affected. In addition, we have agreed to a limitation on recoverable damages in the event Boeing wrongfully terminates our main supply agreement with it with respect to any model of airplane program, so if this occurs, we may not be able to recover the full amount of our actual damages. Furthermore, if Boeing or Airbus (1) experiences a decrease in requirements for the products which we supply to it, (2) experiences a major disruption in its business, such as a strike, work stoppage or slowdown, a supply chain problem or a decrease in orders from its customers or (3) files for bankruptcy protection, our business, financial condition and results of operations could be materially adversely affected.

Our largest customer, Boeing, operates in a very competitive business environment.

Boeing operates in a highly competitive industry. Competition from Airbus, Boeing s main competitor, as well as from regional jet makers, has intensified as these competitors expand aircraft model offerings and competitively price their products. As a result of this competitive environment, Boeing continues to face pressure on product offerings and sale prices. While we do have supply agreements with Airbus, we currently have substantially more business with Boeing and thus any adverse impact on Boeing s production of aircraft resulting from this competitive environment may have a material adverse impact on our business, financial condition and results of operations.

Potential and existing customers, including Airbus, may view our historical and ongoing relationship with Boeing as a deterrent to providing us with future business.

We operate in a highly competitive industry and any of our other potential or existing customers, including Airbus, may be threatened by our historical and ongoing relationship with Boeing. Prior to the Boeing Acquisition, Boeing Wichita functioned as an internal supplier of parts and assemblies for Boeing s aircraft programs and had very few sales to third parties. Other potential and existing customers, including Airbus, may be deterred from using the same supplier that previously produced aerostructures solely for Boeing. Although we believe we have sufficient resources to service multiple OEMs, competitors of Boeing may see a conflict of interest in our providing both them and Boeing with the parts for their different aircraft programs. If we are unable to successfully develop our relationship with other customers and OEMs, including Airbus, we may be unable to increase our customer base. If there is not sufficient demand for our business, our financial condition and results of operations could be materially adversely affected.

Our business depends, in large part, on sales of components for a single aircraft program, the B737.

For the nine months ended September 28, 2006, approximately 61% of our revenues were generated from sales of components to Boeing for the B737 aircraft. While we have entered into long-term supply agreements with Boeing to continue to provide components for the B737 for the life of the aircraft program, including commercial and the military Multi-mission Maritime Aircraft, or MMA, derivatives, Boeing does not have any obligation to purchase components from us for any replacement for the B737 that is not a commercial derivative model. In the event Boeing develops a next generation single-aisle

aircraft program to replace the B737 which is not a commercial derivative, we may not have the next generation technology, engineering and manufacturing capability necessary to obtain significant aerostructures supply business for such replacement program, may not be able to provide components for such replacement program at competitive prices or, for other reasons, may not be engaged by Boeing to the extent of our involvement in the B737 or at all. If we were unable to obtain significant aerostructures supply business for the B737 replacement program, our business, financial condition and results of operations could be materially adversely affected.

Our business depends on the success of a new model aircraft, the B787.

The success of our business will depend, in large part, on the success of Boeing s new B787 program. We have entered into supply agreements with Boeing pursuant to which we will be a Tier 1 supplier to the B787 program. We have made and will continue to make a significant investment in this program before the first commercial delivery of a B787 aircraft, which is scheduled for 2008. If there is not sufficient demand for the B787 aircraft, or if there are technological problems or significant delays in the regulatory certification or manufacturing and delivery schedule for such aircraft, our business, financial condition and results of operations may be materially adversely affected.

We incur risk associated with new programs.

New programs with new technologies typically carry risks associated with design responsibility, development of new production tools, hiring and training of qualified personnel, increased capital and funding commitments, ability to meet customer specifications, delivery schedules and unique contractual requirements, supplier performance, ability of the customer to meet its contractual obligations to us, and our ability to accurately estimate costs associated with such programs. In addition, any new aircraft program may not generate sufficient demand or may experience technological problems or significant delays in the regulatory certification or manufacturing and delivery schedule. If we were unable to perform our obligations under new programs to the customer s satisfaction, if we were unable to manufacture products at our estimated costs or if a new program in which we had made a significant investment experienced weak demand, delays or technological problems, our business, financial condition and results of operations could be materially adversely affected.

In addition, beginning new work on existing programs also carries risks associated with the transfer of technology, knowledge and tooling.

Our operations depend on our ability to maintain continuing, uninterrupted production at our manufacturing facilities. Our production facilities are subject to physical and other risks that could disrupt production.

Our manufacturing facilities could be damaged or disrupted by a natural disaster, war, terrorist activity or sustained mechanical failure. Although we have obtained property damage and business interruption insurance, a major catastrophe, such as a fire, flood, tornado or other natural disaster at any of our sites, war or terrorist activities in any of the areas where we conduct operations or the sustained mechanical failure of a key piece of equipment could result in a prolonged interruption of all or a substantial portion of our business. Any disruption resulting from these events could cause significant delays in shipments of products and the loss of sales and customers and we may not have insurance to adequately compensate us for any of these events. A large portion of our operations takes place at one facility in Wichita, Kansas and any significant damage or disruption to this facility in particular would materially adversely affect our ability to service our customers.

We operate in a very competitive business environment.

Competition in the aerostructures segment of the aerospace industry is intense. Although we have entered into requirements contracts with Boeing and Airbus under which we are their exclusive supplier for

certain aircraft parts, in trying to expand our customer base and the types of parts we make we will face substantial competition from both OEMs and non-OEM aerostructures suppliers.

OEMs may choose not to outsource production of aerostructures due to, among other things, their own direct labor and other overhead considerations and capacity utilization at their own facilities. Consequently, traditional factors affecting competition, such as price and quality of service, may not be significant determinants when OEMs decide whether to produce a part in-house or to outsource.

Our principal competitors among aerostructures suppliers are Alenia Aeronautica, Fuji Aerospace Technology Co., Ltd., GKN Aerospace, The Goodrich Corporation, Kawasaki Precision Machinery (U.S.A.), Inc., Mitsubishi Electric Corporation, Saab AB, Snecma, Triumph Group, Inc. and Vought Aircraft Industries. Some of our competitors have greater resources than we do and, therefore, may be able to adapt more quickly to new or emerging technologies and changes in customer requirements, or devote greater resources to the promotion and sale of their products than we can. Providers of aerostructures have traditionally competed on the basis of cost, technology, quality and service. We believe that developing and maintaining a competitive advantage will require continued investment in product development, engineering, supply chain management and sales and marketing, and we may not have enough resources to make such investments. For these reasons, we may not be able to compete successfully in this market or against such competitors, which could have a material adverse effect on our business, financial condition and results of operations.

High switching costs may substantially limit our ability to obtain business that is currently under contract with other suppliers.

Once a contract is awarded by an OEM to an aerostructures supplier, the OEM and the supplier are typically required to spend significant amounts of time and capital on design, manufacture, testing and certification of tooling and other equipment. For an OEM to change suppliers during the life of an aircraft program, further testing and certification would be necessary, and the OEM would be required either to move the tooling and equipment used by the existing supplier for performance under the existing contract, which may be expensive and difficult (or impossible), or to manufacture new tooling and equipment. Accordingly, any change of suppliers would likely result in production delays and additional costs to both the OEM and the new supplier. These high switching costs may make it more difficult for us to bid competitively against existing suppliers and less likely that an OEM will be willing to switch suppliers during the life of an aircraft program, which could materially adversely affect our ability to obtain new work on existing aircraft programs.

Pre-Boeing Acquisition financial statements are not comparable to post-Boeing Acquisition statements and, because of our limited operating history, nothing in our financial statements can show you how we would operate in a market downturn.

Our historical financial statements prior to the Boeing Acquisition are not comparable to our financial statements subsequent to June 16, 2005. Historically, Boeing Wichita was operated as a cost center of BCA and recognized the cost of products manufactured for BCA programs without recognizing any corresponding revenues for those products. Accordingly, the financial statements with respect to periods prior to the Boeing Acquisition and the pro forma financial information included in this prospectus do not represent the financial results that would have been achieved had Boeing Wichita been operated as a stand alone entity during those periods. Additionally, our financial statements are not indicative of how we would operate through a market downturn. Since the Boeing Acquisition on June 16, 2005, we have operated in a market experiencing an upturn, with both Boeing and Airbus posting record orders in 2005. Our financial results from this limited history cannot give you any indication of our ability to operate in a market experiencing significantly lower demand for our products and the products of our customers. As such, we cannot assure you that we will be able to successfully operate in such a market.

Increases in labor costs, potential labor disputes and work stoppages at our facilities or the facilities of our suppliers or customers could materially adversely affect our financial performance.

Our financial performance is affected by the availability of qualified personnel and the cost of labor. A majority of our workforce is represented by unions. If our workers were to engage in a strike, work stoppage or other slowdown, we could experience a significant disruption of our operations, which could cause us to be unable to deliver products to our customers on a timely basis and could result in a breach of our supply agreements. This could result in a loss of business and an increase in our operating expenses, which could have a material adverse effect on our business, financial condition and results of operations. In addition, our non-unionized labor force may become subject to labor union organizing efforts, which could cause us to incur additional labor costs and increase the related risks that we now face.

We have agreed with Boeing to continue to operate substantial manufacturing operations in Wichita, Kansas until at least June 16, 2015. As a result, we may not be able to utilize lower cost labor from other locations. This may prevent us from being able to offer our products at prices which are competitive in the marketplace and could have a material adverse effect on our ability to generate new business.

In addition, many aircraft manufacturers, airlines and aerospace suppliers have unionized work forces. In 2005, a labor strike by unionized employees at Boeing, our largest customer, temporarily halted commercial aircraft production by Boeing, which had a significant short-term adverse impact on our operations. Additional strikes, work stoppages or slowdowns experienced by aircraft manufacturers, airlines or aerospace suppliers could reduce our customers demand for additional aircraft structures or prevent us from completing production of our aircraft structures.

Our business may be materially adversely affected if we lose our government, regulatory or industry approvals, if more stringent government regulations are enacted or if industry oversight is increased.

The Federal Aviation Administration, or FAA, prescribes standards and qualification requirements for aerostructures, including virtually all commercial airline and general aviation products, and licenses component repair stations within the United States. Comparable agencies, such as the Joint Aviation Authorities, or JAA, in Europe, regulate these matters in other countries. If we fail to qualify for or obtain a required license for one of our products or services or lose a qualification or license previously granted, the sale of the subject product or service would be prohibited by law until such license is obtained or renewed and our business, financial condition and results of operations could be materially adversely affected. In addition, designing new products to meet existing regulatory requirements and retrofitting installed products to comply with new regulatory requirements can be expensive and time consuming.

From time to time, the FAA, the JAA or comparable agencies propose new regulations or changes to existing regulations. These changes or new regulations generally increase the costs of compliance. To the extent the FAA, the JAA or comparable agencies implement regulatory changes, we may incur significant additional costs to achieve compliance.

In addition, certain aircraft repair activities we intend to engage in may require the approval of the aircraft s OEM. Our inability to obtain OEM approval could materially restrict our ability to perform such aircraft repair activities.

We are subject to regulation of our technical data and goods under U.S. export control laws.

As a manufacturer and exporter of defense and dual-use technical data and commodities, we are subject to U.S. laws and regulations governing international trade and exports, including but not limited to the International Traffic in Arms Regulations, administered by the U.S. Department of State, and the Export Administration Regulations, administered by the U.S. Department of Commerce. Collaborative agreements that we may have with foreign persons, including manufacturers and suppliers, are also subject to U.S. export control laws. In addition, we are subject to trade sanctions against embargoed countries, administered by the Office of Foreign Assets Control within the U.S. Department of the Treasury.

A determination that we have failed to comply with one or more of these export controls or trade sanctions could result in civil or criminal penalties, including the imposition of fines upon us as well as the denial of export privileges and debarment from participation in U.S. government contracts. Additionally, restrictions may be placed on the export of technical data and goods in the future as a result of changing geo-political conditions. Any one or more of such sanctions could have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental regulation and our ongoing operations may expose us to environmental liabilities.

Our operations are subject to extensive regulation under environmental, health and safety laws and regulations in the United States and the United Kingdom. We may be subject to potentially significant fines or penalties, including criminal sanctions, if we fail to comply with these requirements. We have made, and will continue to make, significant capital and other expenditures in order to comply with these laws and regulations. We cannot predict with certainty what environmental legislation will be enacted in the future or how existing laws will be administered or interpreted. Our operations involve the use of large amounts of hazardous substances and generate many types of wastes. Spills and releases of these materials may subject us to clean-up liability. We cannot assure you that the aggregate amount of future clean-up costs and other environmental liabilities will not be material.

Boeing, our predecessor at the Wichita facility, is under an administrative consent order issued by the Kansas Department of Health and Environment, or KDHE, to contain and clean-up contaminated groundwater which underlies a majority of the site. Pursuant to this order and its agreements with us, Boeing has a long-term remediation plan in place, and treatment, containment and remediation efforts are underway. If Boeing does not comply with its obligations under the order and these agreements, we may be required to undertake such efforts and make material expenditures.

In connection with the BAE Acquisition, we acquired a manufacturing facility in Prestwick, Scotland that is adjacent to contaminated property retained by BAE Systems. The contaminated property may be subject to a regulatory action requiring remediation of the land. It is also possible that the contamination may spread into the property we acquired. BAE Systems has agreed to indemnify us for certain clean-up costs related to existing pollution on the acquired property, existing pollution that migrates from the acquired property to a third party s property and any pollution that migrates to our property from property retained by BAE Systems. If BAE Systems does not comply with its obligations under the agreement, we may be required to undertake such efforts and make material expenditures.

In the future, contamination may be discovered at our facilities or at off-site locations where we send waste. The remediation of such newly-discovered contamination, or the enactment of new laws or a stricter interpretation of existing laws, may require us to make additional expenditures, some of which could be material. See Business Environmental Matters.

Significant consolidation in the aerospace industry could make it difficult for us to obtain new business.

The aerospace industry has recently experienced consolidation among suppliers. Suppliers have consolidated and formed alliances to broaden their product and integrated system offerings and achieve critical mass. This supplier consolidation is in part attributable to aircraft manufacturers more frequently awarding long-term sole-source or preferred supplier contracts to the most capable suppliers, thus reducing the total number of suppliers. If this consolidation were to accelerate, it may become more difficult for us to be successful in obtaining new customers.

We may be materially adversely affected by high fuel prices.

Due to the competitive nature of the airline industry, airlines are often unable to pass on increased fuel prices to customers by increasing fares. Fluctuations in the global supply of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. In the event there is an outbreak or escalation of

hostilities or other conflicts or significant disruptions in oil production or delivery in oil-producing areas or elsewhere, there could be reductions in the production or importation of crude oil and significant increases in the cost of fuel. If there were major reductions in the availability of jet fuel or significant increases in its cost, or if current high prices are sustained for a significant period of time, the airline industry and, as a result, our business, could be materially adversely affected.

Interruptions in deliveries of components or raw materials or increased prices for components or raw materials used in our products could materially adversely affect our profitability, margins and revenues.

Our dependency upon regular deliveries from particular suppliers of components and raw materials means that interruptions or stoppages in such deliveries could materially adversely affect our operations until arrangements with alternate suppliers, to the extent alternate suppliers exist, could be made. If any of our suppliers were unable or refused to deliver materials to us for an extended period of time, or if we were unable to negotiate acceptable terms for the supply of materials with these or alternative suppliers, our business could suffer. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs for us. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business and might lead to termination of our supply agreements with our customers.

In addition, our profitability is affected by the prices of the components and raw materials, such as titanium, aluminum and carbon fiber, used in the manufacture of our products. These prices may fluctuate based on a number of factors beyond our control, including world oil prices, changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates and, in some cases, government regulation. Although our supply agreements with Boeing and Airbus allow us to pass on certain unusual increases in component and raw material costs to Boeing and Airbus in limited situations, we will not be fully compensated for such increased costs.

Our business will suffer if certain key officers or employees discontinue employment with us or if we are unable to recruit and retain highly skilled staff.

The success of our business is highly dependent upon the skills, experience and efforts of our President and Chief Executive Officer, Jeffrey Turner, and certain of our other key officers and employees. As the top executive officer of Boeing Wichita for almost ten years prior to the Boeing Acquisition, Mr. Turner gained extensive experience in running our business and long-standing relationships with many high-level executives at Boeing, our largest customer. We believe Mr. Turner s reputation in the aerospace industry and relationship with Boeing are critical elements in maintaining and expanding our business. The loss of Mr. Turner or other key personnel could have a material adverse effect on our business, operating results or financial condition. Our business also depends on our ability to continue to recruit, train and retain skilled employees, particularly skilled engineers. The market for these resources is highly competitive. We may be unsuccessful in attracting and retaining the engineers we need and, in such event, our business could be materially adversely affected. The loss of the services of any key personnel, or our inability to hire new personnel with the requisite skills, could impair our ability to provide products to our customers or manage our business effectively.

We are subject to the requirements of the National Industrial Security Program Operating Manual for our facility security clearance, which is a prerequisite for our ability to perform on classified contracts for the U.S. government.

A DoD facility security clearance is required in order to be awarded and perform on classified contracts for the DoD and certain other agencies of the U.S. government. We currently perform on several classified contracts, which generated no revenues for the period from June 17, 2005 through December 29, 2005 and the nine months ended September 28, 2006 and which we expect will generate less than 1% of our revenues for the fiscal year ended December 31, 2006. Spirit has obtained clearance at the secret level, and we are in the process of obtaining such clearance for Spirit Holdings. Due to the fact that more than 50% of our voting equity is owned by a non-U.S. entity, we will be required to operate in accordance

with the terms and requirements of our Special Security Agreement, or SSA, with the DoD. If we were to violate the terms and requirements of our SSA, the National Industrial Security Program Operating Manual, or any other applicable U.S. government industrial security regulations (which may apply to us under the terms of our classified contracts), we could lose our security clearance. We cannot assure you that we will be able to maintain our security clearance. If for some reason our security clearance is invalidated or terminated, we may not be able to continue to perform our present classified contracts and we would not be able to enter into new classified contracts, which could adversely affect our revenues.

We derive a significant portion of our revenues from direct and indirect sales outside the United States and are subject to the risks of doing business in foreign countries.

We derive a significant portion of our revenues from sales by Boeing and Airbus to customers outside the United States. In addition, for the nine months ended September 28, 2006, direct sales to our non-U.S. customers accounted for approximately 10% of our combined revenues (assuming the BAE Acquisition occurred on January 1, 2006). We expect that our and our customers international sales will continue to account for a significant portion of our revenues for the foreseeable future. As a result, we are subject to risks of doing business internationally, including:

- changes in regulatory requirements;
- domestic and foreign government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation requirements;
- fluctuations in foreign currency exchange rates;
- the complexity and necessity of using foreign representatives and consultants;
- uncertainties and restrictions concerning the availability of funding credit or guarantees;
- imposition of tariffs or embargoes, export controls and other trade restrictions;
- the difficulty of management and operation of an enterprise spread over various countries;
- compliance with a variety of foreign laws, as well as U.S. laws affecting the activities of U.S. companies abroad; and
- economic and geopolitical developments and conditions, including international hostilities, acts of terrorism and governmental reactions, inflation, trade relationships and military and political alliances.

While these factors or the impact of these factors are difficult to predict, adverse developments of any one or more of these factors could materially adversely affect our business, financial condition and results of operations in the future.

Our fixed-price contracts may commit us to unfavorable terms.

We provide most of our products and services through long-term contracts with Boeing and Airbus in which the pricing terms are fixed based on certain production volumes. Accordingly, we bear the risk that increased or unexpected costs may reduce our profit margins or cause us to sustain losses on these contracts. Other than certain increases in raw material costs which can be passed on to Boeing and Airbus, we must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs we will incur in performing these contracts and in projecting the ultimate level of sales that we may achieve. Our failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately or control costs during performance of a fixed-price contract may reduce the profitability of a contract or cause a loss.

This is particularly a risk in relation to products such as the Boeing B787 for which we have not yet delivered production articles and in respect of which our profitability at the contracted price depends on our being able to

achieve production cost reductions as we gain production experience. Pricing for the B787-8, the base model currently going into production, is generally established through 2021, with prices decreasing as cumulative volume levels are met over the life of the program. When we negotiated the

Table of Contents

B787-8 pricing, we assumed that our development of new technologies and capabilities would reduce our production costs over the life of the B787 program, thus maintaining or improving our margin on each B787 we produced. We cannot assure you that our development of new technologies or capabilities will be successful or that we will be able to reduce our B787 production costs over the life of the program. Our failure to reduce production costs as we have anticipated could result in decreasing margins on the B787 during the life of the program.

Many of our other production cost estimates also contain pricing terms which anticipate cost reductions over time. In addition, although we have entered into these fixed price contracts with Boeing and Airbus, they may nonetheless seek to re-negotiate pricing with us in the future. Any such higher costs or re-negotiations could materially adversely affect our profitability, margins and revenues.

We identified material weaknesses in our internal control over financial reporting.

We are not currently required to evaluate our internal control over financial reporting in the same manner that is currently required of certain public companies, nor have we performed such an evaluation. Such an evaluation would include documentation of internal control activities and procedures over financial reporting, assessment of design effectiveness of such controls and testing of operating effectiveness of such controls which could result in the identification of material weaknesses in our internal control over financial reporting.

Prior to the Boeing Acquisition, Boeing Wichita relied on Boeing s shared services group for certain business processes associated with its financial reporting including treasury, income tax accounting and external reporting. Since the Boeing Acquisition, we have had to develop these and other functional areas as a stand alone entity including the necessary processes and internal control to prepare our financial statements on a timely basis in accordance with U.S. GAAP.

Generally accepted auditing standards define a material weakness as a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In connection with our quarterly financial statements as of and for the three months ended September 29, 2005, we concluded that we had three material weaknesses in our internal control over financial reporting as described below.

We did not maintain effective internal control over the quarterly closing and consolidation process, including the account reconciliation and review process and accuracy of certain accounts receivable transactions. Specifically, controls over the reconciliation of the accounts receivable subsidiary ledger to its associated general ledger balances, application of certain cash payments from customers and the investigation and resolution of customer payment discrepancies were ineffective to appropriately record certain accounts receivable transactions. This control deficiency resulted in adjustments to the accounts receivable, revenue and cash accounts. If not remediated, this deficiency could result in a material misstatement of accounts receivable or related accounts.

We did not maintain effective controls over our income tax provision and the related balance sheet accounts. Specifically, controls over the accuracy of the income tax provision and related deferred tax accounts as well as our related financial statement disclosures in accordance with SFAS No. 109, *Accounting for Income Taxes*, were ineffective to appropriately apply SFAS No. 109 in evaluating our required valuation allowance and establishing the tax basis of the acquired assets and assumed liabilities of the Boeing Acquisition. This control deficiency resulted in adjustments to the deferred tax, valuation allowance and income tax provision accounts as well as our related SFAS No. 109 financial statement disclosures.

We did not maintain effective controls over the accuracy and completeness of our interim financial statements of our Tulsa, Oklahoma facility. Specifically, there were ineffective controls over the reconciliation of certain general ledger accounts and the aggregation and reporting of those accounts

into our financial statements which could have resulted in a material misstatement in our financial statements.

In connection with the issuance of our December 29, 2005 and June 29, 2006 financial statements during the third quarter of 2006, we concluded that we had an additional material weakness in our internal control over financial reporting as described below.

We did not maintain effective controls over our determination of the fair values ascribed for financial reporting purposes to stock compensation awards granted to our employees and directors through June 29, 2006 in accordance with SFAS No. 123(R), *Share Based Payment*. Specifically, we did not properly estimate the fair values of these awards in determining the accuracy of our stock compensation expense under SFAS No. 123(R). This control deficiency resulted in a restatement of our financial results as of December 29, 2005 and June 29, 2006 and for the periods then ended to adjust selling, general and administrative expenses, income taxes and equity accounts as well as our earnings per share and stock compensation financial statement disclosures.

Our efforts to remediate the aforementioned deficiencies in internal control over financial reporting are described further in Management s Discussion and Analysis of Financial Condition and Results of Operations.

While we believe that these material weaknesses have been remediated, we cannot be certain that additional material weaknesses or significant deficiencies will not develop or be identified. We are in the process of evaluating our internal controls over the financial reporting processes of our recently acquired foreign operations and will implement improvements where we consider them to be necessary. Any failure to maintain adequate internal control over financial reporting or to implement required, new or improved controls, or difficulties encountered in their implementation could cause us to report material weaknesses or other deficiencies in our internal control over financial reporting and could result in a more than remote possibility of errors or misstatements in the restated consolidated financial statements that would be material. Beginning with our Annual Report on Form 10-K for fiscal year 2007, pursuant to Section 404 of the Sarbanes-Oxley Act, our management will be required to assess the effectiveness of our internal control over financial reporting, and we will be required to have our independent registered public accounting firm audit management s assessment and the operating effectiveness of our internal control over financial reporting. If our management or our independent registered public accounting firm were to conclude in their reports that our internal control over financial reporting was not effective, investors could lose confidence in our reported financial information and the value of our stock could be adversely impacted.

We face a potential class action lawsuit which could result in substantial costs, diversion of management s attention and resources and negative publicity.

Spirit, Boeing and Onex have been named as defendants in a lawsuit by certain former employees of Boeing who assert several claims and purport to bring the case as a class action and collective action on behalf of all individuals who were employed by Boeing (BCA) in Wichita, Kansas or Tulsa, Oklahoma within two years prior to the date of the Boeing Acquisition and who were terminated by or not hired by Spirit. The plaintiffs seek damages and injunctive relief for age discrimination, interference with ERISA rights, breach of contract and retaliation. Plaintiffs seek an unspecified amount of compensatory damages and more than $1.5 billion in punitive damages. On November 15, 2006, the court granted the plaintiffs motion for conditional class certification and held that the plaintiffs may send notice of the collective action to all former Boeing employees who were terminated by Boeing on or after January 1, 2002, were 40 years of age or older at the time of termination and were not hired by Spirit. Pursuant to the Asset Purchase Agreement, we agreed to indemnify Boeing for damages resulting from the employment decisions that were made by us with respect to former employees of Boeing Wichita which relate or allegedly relate to the involvement of, or consultation with, employees of Boeing in such employment decisions. The lawsuit could result in substantial costs, divert management s attention and resources from our operations

and negatively affect our public image and reputation. An unfavorable outcome or prolonged litigation related to these matters could materially harm our business.

We have a very limited operating history as a stand alone company and we may not be successful operating as a stand alone company.

Prior to the Boeing Acquisition, Boeing Wichita was a division of Boeing. Boeing Wichita relied on Boeing for many of its internal functions, including, without limitation, accounting and tax, payroll, technology support, benefit plan administration and human resources. Although we have replaced most of these services either through outsourcing or internal sources, we may not be able to perform any or all of these services in a cost-effective manner. In addition, while we implement our plan to replace certain technology and systems support services provided by Boeing, Boeing continues to provide such services to us under a transition services agreement which we entered into at the time of the Boeing Acquisition. We cannot assure you that we will be able to successfully implement our plan to replace the services that we continue to use and in particular, our Enterprise Resource Planning System, upon expiration of the transition services agreement, which will expire in its entirety on June 15, 2007, unless otherwise extended. As such, we cannot assure you that we will be successful in operating Boeing Wichita as a stand alone company.

We do not own most of the intellectual property and tooling used in our business.

Our business depends on using certain intellectual property and tooling that we have rights to use under license grants from Boeing. These licenses contain restrictions on our use of Boeing intellectual property and tooling and may be terminated if we default under certain of these restrictions. Our loss of license rights to use Boeing intellectual property or tooling would materially adversely affect our business. In addition, we must honor our contractual commitments to our other customers related to intellectual property and comply with infringement laws in the use of intellectual property. In the event we obtain new business from new or existing customers, we will need to pay particular attention to these contractual commitments and any other restrictions on our use of intellectual property to make sure that we will not be using intellectual property improperly in the performance of such new business. In the event we use any such intellectual property improperly, we could be subject to an infringement claim by the owner or licensee of such intellectual property. See Business Our Relationship with Boeing License of Intellectual Property.

In the future, our entry into new markets may require obtaining additional license grants from Boeing and/or from other third parties. If we are unable to negotiate additional license rights on acceptable terms (or at all) from Boeing and/or other third parties as the need arises, our ability to enter new markets may be materially restricted. In addition, we may be subject to restrictions in future licenses granted to us that may materially restrict our use of third party intellectual property.

Our success depends in part on the success of our research and development initiatives.

We spent approximately $85 million on research and development during the nine months ended September 28, 2006. The significant capital we expend on our research and development efforts may not create any new sales opportunities or increases in productivity that are commensurate with the level of resources invested.

We are in the process of developing specific technologies and capabilities in pursuit of new business and in anticipation of customers going forward with new programs, including the Boeing B787 and other programs which have not yet been developed. For the period from June 17, 2005 through December 29, 2005, we spent approximately $78 million on these activities. Work in connection with the Boeing B787 consisted of approximately 97% of our total development costs during such period. If the Boeing B787 or any other such programs do not go forward or are not successful, we may be unable to recover the costs incurred in anticipation of such programs and our profitability and revenues may be materially adversely affected.

The BAE Acquisition and any future business combinations, acquisitions or mergers expose us to risks, including the risk that we may not be able to successfully integrate these businesses or achieve expected operating synergies.

The BAE Acquisition involves risks, including difficulties in integrating the operations and personnel of BAE Aerostructures and the potential loss of key employees of BAE Aerostructures. We may not be able to satisfactorily integrate the acquired business in a manner and a timeframe that achieves the cost savings and operating synergies that we expect.

In addition, we actively consider strategic transactions from time to time. We evaluate acquisitions, joint ventures, alliances or co-production programs as opportunities arise, and we may be engaged in varying levels of negotiations with potential competitors at any time. We may not be able to effect transactions with strategic alliance, acquisition or co-production program candidates on commercially reasonable terms or at all. If we enter into these transactions, we also may not realize the benefits we anticipate. In addition, we may not be able to obtain additional financing for these transactions.

The integration of companies that have previously been operated separately involves a number of risks, including, but not limited to:

- demands on management related to the increase in size after the transaction;
- the diversion of management s attention from the management of daily operations to the integration of operations;
- difficulties in the assimilation and retention of employees;
- difficulties in the assimilation of different cultures and practices, as well as in the assimilation of geographically dispersed operations and personnel, who may speak different languages;
- difficulties combining operations that use different currencies or operate under different legal structures;
- difficulties in the integration of departments, systems (including accounting systems), technologies, books and records and procedures, as well as in maintaining uniform standards, controls (including internal accounting controls), procedures and policies; and
- constraints (contractual or otherwise) limiting our ability to consolidate, rationalize and/or leverage supplier arrangements to achieve integration.

Consummating any acquisitions, joint ventures, alliances or co-production programs could result in the incurrence of additional debt and related interest expense, as well as unforeseen contingent liabilities.

Risk Factors Related to our Capital Structure

The interests of our controlling stockholder may conflict with your interests.

Upon completion of this offering, the Onex entities will own 74,489,611 shares of our class B common stock. Our class A common stock has one vote per share, while our class B common stock has ten votes per share on all matters to be voted on by our stockholders. After this offering, the Onex entities will control approximately 92.1% of the combined voting power of our outstanding common stock. Accordingly, and for so long as the Onex entities continue to hold class B common stock that represents at least 10% of the total number of shares of common stock outstanding, Onex will exercise a controlling influence over our business and affairs and will have the power to determine all matters submitted to a vote of our stockholders, including the election of directors and approval of significant corporate transactions such as amendments to our certificate of incorporation, mergers and the sale of all or substantially all of our assets. Onex could cause corporate actions to be taken even if the interests of Onex conflict with the interests of our other stockholders. This concentration of voting power could have the effect of deterring or preventing a change in control of Spirit that might otherwise be beneficial to our stockholders. Gerald W. Schwartz, the Chairman, President and Chief Executive Officer of Onex Corporation, owns shares representing a

majority of the voting rights of the shares of Onex Corporation. See Principal and Selling Stockholders and Description of Capital Stock.

Our substantial indebtedness could materially adversely affect our financial condition and our ability to operate our business.

As a result of the Boeing Acquisition, we have a substantial amount of debt and debt servicing requirements. As of September 28, 2006, we had total debt of approximately $723 million, including approximately $693 million of borrowings under our senior secured credit facility and approximately $30 million of capital lease obligations. In addition to our debt, we have less than $1 million of letters of credit outstanding. While we intend to use a portion of the net proceeds of the offering to repay certain borrowings under our senior secured credit facility, we expect there to be approximately $593 million outstanding under this facility following the application of the proceeds of the offering as described in Use of Proceeds. In addition, subject to restrictions in the credit agreement governing our senior secured credit facility, we may incur additional debt.

Our substantial debt could have important consequences to you, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or other general corporate purposes may be impaired;
- we must use a significant portion of our cash flow for payments on our debt, which will reduce the funds available to us for other purposes;
- we are more vulnerable to economic downturns and adverse industry conditions and our flexibility to plan for, or react to, changes in our business or industry is more limited;
- our ability to capitalize on business opportunities and to react to competitive pressures, as compared to our competitors, may be compromised due to our high level of debt; and
- our ability to borrow additional funds or to refinance debt may be limited.

Servicing our debt will require a significant amount of cash. Our ability to generate sufficient cash depends on numerous factors beyond our control, and we may be unable to generate sufficient cash flow to service our debt obligations.

Our business may not generate sufficient cash flow from operating activities. We may need to obtain new credit arrangements and other sources of financing in order to meet our current and future obligations and working capital requirements and to fund our future capital expenditures. In addition, our ability to make payments on and to refinance our debt and to fund planned capital expenditures will depend on our ability to generate cash in the future. We cannot assure you of our future performance, which depends in part on general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control, including those described above under Risk Factors Related to our Business and Industry. Lower net revenues generally will reduce our cash flow.

If we are unable to generate sufficient cash flow to service our debt and meet our other commitments, we may need to refinance all or a portion of our debt, sell material assets or operations or raise additional debt or equity capital. We cannot assure you that we could effect any of these actions on a timely basis, on commercially reasonable terms or at all, or that these actions would be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt agreements may restrict us from effecting certain or any of these alternatives.

Restrictive covenants in our senior secured credit facility may restrict our ability to pursue our business strategies.

Our senior secured credit facility limits our ability, among other things, to:

- incur additional debt or issue our preferred stock;
- pay dividends or make distributions to our stockholders;
- repurchase or redeem our capital stock;
- make investments;
- incur liens;
- enter into transactions with our stockholders and affiliates;
- sell certain assets;
- acquire the assets of, or merge or consolidate with, other companies; and
- incur restrictions on the ability of our subsidiaries to make distributions or transfer assets to us.

Our ability to comply with these covenants may be affected by events beyond our control, and any material deviation from our forecasts could require us to seek waivers or amendments of covenants, alternative sources of financing or reductions in expenditures. We cannot assure you that such waivers, amendments or alternative financings could be obtained, or, if obtained, would be on terms acceptable to us.

In addition, the credit agreement governing our senior secured credit facility requires us to meet certain financial ratios and restricts our ability to make capital expenditures or prepay certain other debt. We may not be able to maintain these ratios, and the restrictions could limit our ability to plan for or react to market conditions or meet extraordinary capital needs or otherwise restrict corporate activities.

If a breach of any covenant or restriction contained in our credit agreement governing our senior secured credit facility results in an event of default, the lenders thereunder could discontinue lending, accelerate the related debt (which would accelerate other debt) and declare all borrowings outstanding thereunder to be due and payable. In addition, the lenders could terminate any commitments they had made to supply us with additional funds. In the event of an acceleration of our debt, we may not have or be able to obtain sufficient funds to make any accelerated debt payments, and we may not have sufficient capital to perform our obligations under our supply agreements.

We may sell more equity and reduce your ownership in Spirit Holdings.

Our business plan may require the investment of new capital, which we may raise by issuing additional equity (including equity interests which may have a preference over your shares of class A common stock) or additional debt (including debt securities and/or bank loans). However, this capital may not be available at all, or when needed, or upon terms and conditions favorable to us. The issuance of additional equity in Spirit Holdings may result in significant dilution of your shares of class A common stock. We may issue additional equity in connection with or to finance subsequent acquisitions. Further, our subsidiaries could issue securities in the future to persons or entities (including our affiliates) other than us or another subsidiary. This could materially adversely affect your investment in us because it would dilute your indirect ownership interest in our subsidiaries.

Spirit Holdings certificate of incorporation and by-laws and our supply agreements with Boeing contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.

Provisions of Spirit Holdings certificate of incorporation and by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. In addition, these provisions may frustrate or prevent

23

any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our current board of directors. These provisions include:

- multi-vote shares of common stock, which are owned by the Onex entities and management stockholders;
- advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and
- the authority of the board of directors to issue, without stockholder approval, up to 10 million shares of preferred stock with such terms as the board of directors may determine and an additional 65,302,819 shares of class A common stock (not including shares reserved for issuance upon conversion of outstanding shares of class B common stock) and an additional 67,386,153 shares of class B common stock (not including shares issued but subject to vesting requirements under our benefit plans).

In addition, our supply agreements with Boeing include provisions giving Boeing the ability to terminate the agreements in the event any of certain disqualified persons acquire a majority of Spirit s direct or indirect voting power or all or substantially all of Spirit s assets. See Description of Capital Stock, and Business Our Relationship with Boeing.

Spirit Holdings is a controlled company within the meaning of the New York Stock Exchange rules and, as a result, will qualify for, and intends to rely on, exemptions from certain corporate governance requirements.

Because the Onex entities will own more than 50% of the combined voting power of our common stock after the completion of this offering, we will be deemed a controlled company under the rules of the New York Stock Exchange, or NYSE. As a result, we will qualify for, and intend to rely upon, the controlled company exception to the board of directors and committee composition requirements under the rules of the NYSE. Pursuant to this exception, we will be exempt from rules that would otherwise require that Spirit Holdings board of directors be comprised of a majority of independent directors (as defined under the rules of the NYSE), and that Spirit Holdings compensation committee and corporate governance and nominating committee be comprised solely of independent directors, so long as the Onex entities continue to own more than 50% of the combined voting power of our common stock. Spirit Holdings board of directors consists of ten directors, five of whom qualify as independent. In addition, Spirit Holdings compensation and corporate governance and nominating committees will not be comprised solely of independent directors. See Management Executive Officers and Directors and Committees of the Board of Directors.

Risk Factors Related to this Offering

There is no existing market for our class A common stock, and we do not know if one will develop to provide you with adequate liquidity.

Prior to this offering, there has been no public market for our class A common stock. An active trading market for our class A common stock may not develop or be sustained after the offering. The lack of a public market may impair the value of your shares and your ability to sell your shares at any time you wish to sell them.

Our stock price may be volatile, and you may not be able to sell your shares at or above the offering price.

The initial public offering price for our shares of class A common stock will be determined by negotiations between the representatives of the underwriters and us. This price may not reflect the market price of our class A common stock following this offering. You may be unable to resell the class A common stock you purchase at or above the initial public offering price.

The stock markets in general have experienced extreme volatility, often unrelated to the operating performance of particular companies. Broad market fluctuations may materially adversely affect the trading price of our class A common stock.

Price fluctuations in our class A common stock could result from general market and economic conditions and a variety of other factors, including:

- actual or anticipated fluctuations in our operating results;
- changes in aerostructures pricing;
- our competitors and customers announcements of significant contracts, acquisitions or strategic investments;
- changes in our growth rates or our competitors and customers growth rates;
- the timing or results of regulatory submissions or actions with respect to our business;
- our inability to raise additional capital;
- conditions of the aerostructure industry or in the financial markets or economic conditions in general; and
- changes in stock market analyst recommendations regarding our class A common stock, other comparable companies or the aerospace industry generally.

You will experience immediate and substantial dilution in the net tangible book value of your class A common stock.

Based on our actual book value, the value of the shares of class A common stock you purchase in this offering immediately will be less than the offering price you paid. This reduction in the value of your equity is known as dilution. This dilution occurs in large part because our initial investors paid less than the initial public offering price when they purchased their shares. If you purchase class A common stock in this offering, you will incur immediate dilution of $19.57 per share, based on an assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of this prospectus.

If a significant number of shares of our class A common stock are sold into the market following this offering, the market price of our class A common stock could significantly decline, even if our business is doing well.

Sales of a substantial number of shares of our class A common stock in the public market after this offering could materially adversely affect the prevailing market price of our class A common stock.

Upon completion of this offering, we will have 52,083,334 shares of class A common stock and 75,671,517 shares of class B common stock outstanding. Of these securities, the 52,083,334 shares of class A common stock offered pursuant to this offering will be freely tradable without restriction or further registration under federal securities laws, except to the extent shares are purchased in the offering by our affiliates. The 75,671,517 shares of class B common stock and any class A common stock owned by our officers, directors and affiliates, as that term is defined in the Securities Act of 1933, as amended, or the Securities Act, are restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

In connection with this offering, we, each of our directors and executive officers and the Onex entities have entered into lock-up agreements that prevent the sale of shares of our common stock for up to 180 days after the date of this prospectus, subject to an extension in certain circumstances as set forth in the section entitled Underwriting. Following the expiration of the lock-up period, the Onex entities will have the right, subject to certain conditions, to require us to register the sale of these shares under the federal securities laws. If this right is exercised, holders of all shares subject to a registration rights

agreement will be entitled to participate in such registration. By exercising their registration rights, and selling a large number of shares, these holders could cause the prevailing market price of our class A common stock to decline. Approximately 75,671,517 shares of our common stock will be subject to a registration rights agreement upon completion of this offering. See Shares Eligible for Future Sale and Description of Capital Stock Registration Agreement.

Between May 19, 2007 and July 31, 2007, approximately 75,671,517 shares of class A common stock issuable upon conversion of class B common stock will become eligible for sale in the public market, subject to the volume, notice of sale, manner of sale and other restrictions of Rule 144 promulgated under the Securities Act. Furthermore, an additional 6,942,330 shares of our class B common stock have been issued to members of our management pursuant to our Executive Incentive Plan, Short Term Incentive Plan and Long Term Incentive Plan, which shares will remain subject to vesting requirements following the offering. Of this amount, 464,943 shares granted under our Short Term Incentive Plan and Long Term Incentive Plan will vest on February 17, 2007 if the recipients of such shares continue to be employed by us at that time. See Management Benefit Plans Executive Incentive Plan, Short Term Incentive Plan, and Long Term Incentive Plan. If these vesting requirements are satisfied, additional shares of class A common stock issuable upon conversion of the class B common stock will become eligible for sale in the public market one year following the date on which the vesting requirements are satisfied, subject to the volume, notice of sale, manner of sale and other restrictions of Rule 144 promulgated under the Securities Act or, if earlier, after the shares are registered under the Securities Act.

In addition, under our Union Equity Participation Plan, as a result of this offering, we anticipate issuing approximately 5,006,829 shares of class A common stock on or prior to March 15, 2007 pursuant to a registration statement on Form S-8. These shares will become eligible for sale in the public market upon issuance.

If a trading market develops for our class A common stock, our employees, officers and directors may elect to sell shares of our class A common stock issuable upon conversion of their shares of our class B common stock in the market. Sales of a substantial number of shares of our class A common stock in the public market after this offering could depress the market price of our class A common stock and impair our ability to raise capital through the sale of additional equity securities.

We do not intend to pay cash dividends.

We do not intend to pay cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of our current, as well as any future, financing agreements may preclude us from paying any dividends. As a result, appreciation, if any, in the market value of our common stock will be your sole source of potential financial gain for the foreseeable future.

Table of Contents

THE TRANSACTIONS

The Boeing Acquisition

In December 2004 and February 2005, an investor group led by Onex Partners LP and Onex Corporation formed Spirit and Spirit Holdings, respectively, for the purpose of acquiring Boeing Wichita. On June 16, 2005, Spirit acquired Boeing Wichita in a negotiated, arms-length transaction for a cash purchase price of approximately $904 million and the assumption of certain liabilities, pursuant to an asset purchase agreement, dated as of February 22, 2005, between Spirit and Boeing, or the Asset Purchase Agreement. Based on final working capital and other factors specified in the Asset Purchase Agreement, a purchase price adjustment of $19 million was paid to Spirit in the fourth quarter of 2005. In connection with the Boeing Acquisition, Boeing is required to make future payments to Spirit in amounts of $45.5 million, $116.1 million and $115.4 million in 2007, 2008 and 2009, respectively, in payment for various tooling and capital assets built or purchased by Spirit. Spirit will retain usage rights and custody of these assets for their remaining useful lives without compensation to Boeing. Boeing also contributed $30 million to us to partially offset our costs of transition to a stand alone company.

The Asset Purchase Agreement contains customary representations, warranties and covenants. Pursuant to the Asset Purchase Agreement, we are indemnified by Boeing, subject to specified exceptions, for losses arising from, among other things:

- breaches by Boeing of its representations, warranties, covenants and agreements contained in the Asset Purchase Agreement;
- damages relating to separating the portion of Boeing s Wichita facilities not acquired by us from the portion acquired by us;
- damages relating to noncompliance with certain laws by Boeing prior to closing;
- liability for defective manufacture of products shipped by Boeing prior to closing;
- certain environmental liabilities, as more fully described under Business Environmental Matters; and
- tax liabilities for periods prior to closing.

Claims for indemnification are subject to an aggregate deductible equal to $10 million and may not exceed $100 million, each subject to certain specified exceptions. Most claims for indemnification must be made by December 16, 2006; claims for taxes and certain ERISA matters may be made until 30 days after the expiration of the applicable statute of limitations; claims for matters relating to the title of the assets sold to us in the Boeing Acquisition may be made until June 16, 2012; and certain representations, including those relating to broker or finder fees and commissions, do not expire.

The Boeing Acquisition was financed through an equity investment of $375 million and borrowings of a $700 million term loan B under our senior secured credit facilities. See The Related Financing Transactions. Prior to the closing of the Boeing Acquisition, neither Spirit nor Spirit Holdings had engaged in any business activities except those incident to the acquisition of Boeing Wichita.

Prior to the completion of the Boeing Acquisition, Boeing Wichita was a division of Boeing and was not a separate legal entity. Historically, Boeing Wichita functioned as an internal supplier of parts and assemblies to Boeing airplane programs and had very few sales to third parties. It operated as a cost center of Boeing, meaning that it recognized the cost of products manufactured for BCA programs but did not recognize any corresponding revenues for those products. No intra-company pricing was established for the parts and assemblies that Boeing Wichita supplied to Boeing. Revenues from sales to third parties were insignificant prior to the Boeing Acquisition, consisting of less than $100,000 in each year from 2001 through 2004 and in the period from January 1, 2005 through June 16, 2005.

Pursuant to the Asset Purchase Agreement, on the closing date of the Boeing Acquisition, Spirit and Boeing entered into a series of agreements under which (1) Spirit has become Boeing s exclusive supplier of substantially all of the parts and assemblies supplied to Boeing by Boeing Wichita as at June 16, 2005

at pricing established under those agreements, (2) Spirit will be Boeing s exclusive supplier for the forward fuselage, fixed and moveable leading wing edges and struts for Boeing s new B787 platform, at pricing set forth in the relevant agreement and (3) Boeing has continued to provide to Spirit (in most cases on a transitional basis) certain technology and system support services historically provided to Boeing Wichita by Boeing, at pricing established under those agreements. See Business Our Relationship with Boeing.

Prior to the Boeing Acquisition, certain Boeing Wichita employees were represented by unions under Boeing s labor agreements. After the closing of the Boeing Acquisition, Spirit employed most, but not all, of the employees of Boeing Wichita on new terms and conditions of employment that were in most cases established by collective bargaining between Spirit and the relevant labor unions. Spirit also established certain employee benefit and equity incentive plans in connection with hiring Boeing Wichita employees. See Management Benefit Plans.

Our Principal Equity Investor

Onex Partners LP is an approximately $1.7 billion private equity fund established in 2003 by Onex Corporation. Onex Partners LP provides committed capital for Onex-sponsored acquisitions. Onex Corporation is a diversified company with annual consolidated revenues of approximately $16.5 billion and 136,000 employees. Onex s subordinate voting shares are listed and traded on the Toronto Stock Exchange under the symbol OCX . Onex is one of Canada s largest companies with global operations in the service, manufacturing and technology industries. Onex has extensive experience carving divisions out of large, multinational corporations and establishing them as stand alone enterprises. Other Onex operating companies include Celestica Inc., Center for Diagnostic Imaging, Inc., Cineplex Entertainment Limited Partnership, ClientLogic Corporation, Cosmetic Essence, Inc., Emergency Medical Services Corporation, Radian Communication Services Corporation and Skilled Healthcare Group, Inc.

The Related Financing Transactions

On June 16, 2005, Spirit Holdings, as parent guarantor, Spirit, as a borrower, and Onex Wind Finance LP, an indirect subsidiary of Spirit Holdings principal stockholder, or Onex Wind, as an additional borrower, entered into a credit agreement with Citicorp North America, Inc., as collateral agent, administrative agent and documentation agent, the lenders party thereto, Citigroup Global Markets Inc., as sole lead arranger and book runner, The Bank of Nova Scotia and Royal Bank of Canada, as co-arrangers and co-syndication agents, The Bank of Nova Scotia, as issuing bank, and Export Development Canada and Caisse de dépôt et placement du Québec, as co-documentation agents. Pursuant to the terms of that credit agreement, the lenders thereunder provided us with available borrowings of $875 million of senior secured credit facilities, comprised of a $175 million revolving credit facility, or the Revolver, and a $700 million term loan B, or the Term Loan B, and together with the Revolver, the Senior Secured Credit Facilities. Proceeds from the Term Loan B were used to consummate the Boeing Acquisition and pay fees and expenses incurred in connection therewith and for working capital. We did not borrow under the Revolver at closing and as of October 31, 2006, we had not borrowed under that facility, which may be used by us for working capital and other general corporate purposes.

The obligations of the borrowers and guarantors under the Senior Secured Credit Facilities are secured by a first priority security interest in substantially all of the borrowers and guarantors assets, including (1) all capital stock of our direct and indirect domestic subsidiaries, as well as 65% of the capital stock of our direct and indirect foreign subsidiaries and (2) all other tangible and intangible property and assets of the borrowers and guarantors. The Senior Secured Credit Facilities contain standard covenants and mandatory prepayment requirements (including in respect of the net cash proceeds received by us from this offering), as well as maximum total debt to an adjusted EBITDA, which is the amount of our earnings before interest, taxes, depreciation and amortization expenses and other specifically identified exclusions, and minimum interest coverage covenants.

Our Senior Secured Credit Facilities have been amended since the date of the Boeing Acquisition to, among other things, facilitate Spirit s and its subsidiaries receipt of incentive arrangements under relevant Kansas statutes and industrial revenue bond, or IRB, financing of equipment acquisitions and to permit us to acquire BAE Aerostructures. We intend to further amend the Senior Secured Credit Facilities in

connection with this offering. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

On June 16, 2005, Onex Wind, as borrower, and Spirit Holdings, Spirit, Spirit AeroSystems Finance, Inc., 3101447 Nova Scotia Company and Onex Wind Finance LLC, as guarantors, also entered into a secured senior subordinated delayed draw term loan credit agreement with The Boeing Company, as agent, and the lenders party thereto. Pursuant to the terms of that credit agreement, Boeing provided us with a $150 million senior subordinated delayed draw facility, or the Senior Subordinated Credit Facility, which remained unfunded at closing and has not been funded. As part of the amendment to the Senior Secured Credit Facilities to be entered into in connection with this offering, we intend to obtain consent from our senior lenders to terminate the Senior Subordinated Credit Facility upon completion of this offering.

In connection with each of our Senior Secured Credit Facilities and Senior Subordinated Credit Facility, we established a structure under which Spirit borrows from an indirect subsidiary of Onex Wind any amounts which it would otherwise borrow under the Senior Secured Credit Facilities. See Certain Relationships and Related Party Transactions Other Related Party Transactions and Business Relationships. This structure will be eliminated pursuant to the amendment to the senior secured credit facility that will be entered into in connection with this offering.

The BAE Acquisition

On April 1, 2006, through our wholly-owned subsidiary, Spirit Europe, we acquired BAE Aerostructures in a negotiated, arms-length transaction for a cash purchase price of approximately $145.7 million and the assumption of certain normal course liabilities (including accounts payable of approximately $57.8 million) financed with available cash balances. Spirit Europe manufactures leading and trailing wing edges and other wing components for commercial aircraft programs for Airbus and Boeing and produces various aerostructure components for certain Raytheon business jets. The BAE Acquisition provides us with a foundation to increase future sales to Airbus, as Spirit Europe is a key supplier of wing and flight control surfaces for the A320 platform, Airbus core single aisle program, and of wing components for the A380 platform, one of Airbus most important new programs and the world s largest commercial passenger aircraft. Under our supply agreements with Airbus, we supply most of our products for the life of the aircraft program, including commercial derivative models, with pricing determined through 2010. For the A380, we have a long-term supply contract with Airbus that covers a fixed number of units.

Table of Contents

USE OF PROCEEDS

We estimate that our net proceeds from the sale of 10,416,667 shares of class A common stock in this offering will be approximately $229 million, based on an assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Each $1.00 increase or decrease in the assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of the prospectus, would increase or decrease, as applicable, the net proceeds to us by approximately $10 million, assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

We intend to use the net proceeds as follows:

- approximately $100 million to repay debt outstanding under our Term Loan B under our senior secured credit facility; and

- the balance to pay a portion of the obligations which will become due upon the closing of this offering under our Union Equity Participation Plan.

We will not receive any proceeds from the sale of shares by the selling stockholders.

An affiliate of Credit Suisse Securities (USA) LLC, one of the representatives of the underwriters, is a lender under, and will receive a portion of the net proceeds used to repay debt under, our senior secured credit facility.

Proceeds from the Term Loan B were used to consummate the Boeing Acquisition and pay fees and expenses incurred in connection therewith and for working capital.

The Term Loan B bears interest at a rate equal to the sum of LIBOR plus the applicable margin (as defined below) or, at our option, the alternate base rate, which will be the highest of (x) the Citicorp North America, Inc. prime rate, (y) the certificate of deposit rate, plus 0.50% and (z) the federal funds rate plus 0.50%, plus the applicable margin. The applicable margin is 2.25% per annum on the portion of the Term Loan B that bears interest at LIBOR and 1.25% on the portion of the Term Loan B that bears interest at the alternate base rate. The Term Loan B matures on December 31, 2011.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for additional information regarding our outstanding debt.

Table of Contents

DIVIDEND POLICY

We currently intend to retain any future earnings to support our operations and to fund the development and growth of our business. In addition, the payment of dividends by us to holders of our common stock is limited by our credit facilities. Our future dividend policy will depend on the requirements of financing agreements to which we may be a party. We do not intend to pay cash dividends on our common stock in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions.

Table of Contents

CAPITALIZATION

The following table sets forth as of September 28, 2006:

our consolidated capitalization on an actual basis,

our consolidated capitalization on a pro forma basis to give effect to the sale of 10,416,667 shares of class A common stock by us in this offering at an assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of the prospectus, and the application of those proceeds as described in Use of Proceeds.

You should read this table together with our unaudited consolidated pro forma financial information included elsewhere in this prospectus. For additional information regarding our outstanding debt, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

	As of September 28, 2006	
	Actual	Pro Forma(1)
	(Dollars in millions) (Unaudited)	
Long-term debt, including current portion:		
Revolving credit facility(2)	$	$
Term loan	693.0	593.0
Capital leases and other debt	29.5	29.5
Total senior debt	722.5	622.5
Subordinated secured delayed draw credit facility		
Total debt	$ 722.5	$ 622.5
Shareholders equity		
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized; nil shares issued and outstanding		
Class A common stock, $0.01 par value per share, 200,000,000 shares authorized; nil shares issued and outstanding, actual; 52,083,334 shares issued and outstanding, as adjusted		0.5
Class B common stock, $0.01 par value per share, 150,000,000 shares authorized; 124,280,514 shares issued and outstanding, actual; 82,613,847 shares issued and outstanding, as adjusted	1.2	0.8
Additional paid-in capital	452.5	681.4
Accumulated other comprehensive income	21.5	21.5
Accumulated deficit	(4.1)	(282.1)
Total shareholders equity	471.1	422.1
Total capitalization	$ 1,193.6	$ 1,044.6

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of the prospectus, would increase or decrease, as applicable, the amount of pro forma additional paid-in capital, total stockholders equity and total capitalization by approximately $10 million,

assuming the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

(2) The revolving credit facility provides for availability of borrowings and issuances of letters of credit for up to $175.0 million. As of September 28, 2006, we had $175.0 million of availability under the revolving credit facility, net of $0.3 million of letters of credit outstanding.

Table of Contents

DILUTION

If you invest in our class A common stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share of our class A common stock and the pro forma net tangible book value per share of our common stock after this offering.

As of September 28, 2006, our net tangible book value, determined on a pro forma basis as described below, was $418.2 million, or $3.36 per share of class A common stock and class B common stock (together, our common stock). Pro forma net tangible book value represents the amount of our total assets (excluding intangible assets), less our total liabilities, divided, in the case of net tangible book value per share, by the pro forma number of shares outstanding giving effect to the 3-for-1 stock split that occured on November 16, 2006.

After giving effect to our sale of 10,416,667 shares of class A common stock in this offering, based on an assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our adjusted pro forma net tangible book value at September 28, 2006 would have been approximately $596.7 million, or $4.43 per share of our common stock. This represents an immediate increase in pro forma net tangible book value of $1.07 per share to our existing stockholders and an immediate net tangible book value dilution of $19.57 per share to new investors purchasing shares in this offering. The following table illustrates this dilution:

Assumed initial public offering price per share		$ 24.00
Pro forma net tangible book value per share at September 28, 2006	$ 3.36	
Increase in pro forma net tangible book value per share attributable to new investors	1.07	
Pro forma adjusted net tangible book value per share after this offering		4.43
Dilution per share to new investors		$ 19.57

The following table summarizes, as of September 28, 2006, as adjusted to give effect to this offering, the differences between the number of shares of our common stock purchased from us, the total consideration paid to us and the average price per share paid by our existing stockholders and by the new investors purchasing class A common stock in this offering. The calculation is based on an assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of this prospectus, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		**Total Consideration**		
	Number	**Percent**	**Amount**	**Percent**	**Average Price Per Share**
Existing stockholders	124,280,514(1)	92.3%	$ 380,302,267	60.3%	$ 3.06
New investors	10,416,667	7.7%	$ 250,000,008	39.7%	$ 24.00
Total	134,697,181	100%	$ 630,302,275	$ 100%	

(1) Includes 10,247,595 shares of class B common stock subject to vesting requirements under our benefit plans of which 3,305,265 shares of class B common stock will vest on the offering.

If the underwriters exercise their over-allotment option in full, our existing stockholders would own approximately 55.4% of the total number of shares of our common stock outstanding after this offering and would have paid approximately 60.3% of the total consideration paid to us for shares of our common stock.

We may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The following unaudited pro forma consolidated financial statements present Spirit Holdings financial position and results of operations adjusted for the Boeing Acquisition, the sale of 10,416,667 shares of class A common stock pursuant to this offering and the application of the proceeds therefrom as described in Use of Proceeds. Boeing Wichita is the predecessor entity of Spirit Holdings for the periods prior to the Boeing Acquisition.

The unaudited pro forma consolidated financial statements include:

- the pro forma consolidated balance sheet as of September 28, 2006, assuming this offering occurred on September 28, 2006 and the proceeds were applied as described in Use of Proceeds;
- the pro forma consolidated statement of operations for the nine months ended September 28, 2006, assuming this offering occurred on January 1, 2005 and the proceeds were applied as described in Use of Proceeds; and
- the pro forma consolidated statement of operations for the fiscal year ended December 29, 2005 assuming the Boeing Acquisition, this offering and the application of proceeds as described in Use of Proceeds all occurred on January 1, 2005.

Prior to the completion of the Boeing Acquisition, Spirit was a division of Boeing and was not a separate legal entity. No intra-company pricing was established for the parts and assemblies that Boeing Wichita supplied to Boeing, with all transactions with Boeing conducted on a non-cash basis. As a consequence, only minimal external revenues were recorded by Boeing Wichita. Following the Boeing Acquisition, we adopted contract accounting. Additionally, we reduced our labor, pension and fringe benefit costs as a result of the Boeing Acquisition. Results of operations have been adjusted to give effect to these matters, as well as the financing costs of the Boeing Acquisition and new depreciation and amortization rates which reflect a preliminary valuation of the net assets acquired in accordance with purchase accounting.

Finally, certain adjustments have been made to reflect Spirit Holdings existence as a stand alone company, including service fees payable to Onex, taxes and recalculation of accreted income related to Spirit s non-interest bearing long-term receivable from Boeing in the aggregate amount of $277 million due in 2007, 2008 and 2009 attributable to the acquisition of title of various tooling and other capital assets.

The pro forma adjustments are described in detail in the notes to the pro forma statements of operations and are based on available information and assumptions that management believes are reasonable. The pro forma statements of operations do not purport to be indicative of our future results of operations or results of operations that would have actually occurred had the Boeing Acquisition and this offering been consummated on January 1, 2005.

The unaudited pro forma consolidated financial data should be read in conjunction with Selected Consolidated Historical Financial Data, Use of Proceeds, Capitalization, The Transactions, Management s Discussion and Analy of Financial Condition and Results of Operations and the consolidated historical financial statements and related notes included elsewhere in this prospectus.

Table of Contents

Spirit AeroSystems Holdings, Inc.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
September 28, 2006

	September 28, 2006	Pro Forma Adjustment for the Offering Transactions	Pro Forma September 28, 2006
	(Unaudited)		
		(Dollars in millions)	
Current assets			
Cash and cash equivalents	$ 189.0	$ (25.0)(a)	$ 164.0
Accounts receivable net	215.7		215.7
Inventory net	731.7		731.7
Prepaids and other assets	17.4		17.4
Total current assets	1,153.8	(25.0)	1,128.8
Property, plant and equipment, net	716.7		716.7
Other assets	464.9	(3.8)(b)	461.1
Total assets	$ 2,335.4	$ (28.8)	$ 2,306.6
Current liabilities			
Accounts payable and accrued expenses	$ 501.0	$	$ 501.0
Current maturities of debt	23.2		23.2
Income taxes	46.1		46.1
Stock issuance liability		120.2(c)	120.2
Total current liabilities	570.3	120.2	690.5
Long-term debt	699.3	(100.0)(d)	599.3
Advance payments	500.0		500.0
Other liabilities	94.7		94.7
Shareholders Equity			
Common stock, $0.01 par value, 350,000,000 shares authorized	1.2	0.1(e)	1.3
Additional paid-in capital	452.5	228.9(e)	681.4
Accumulated other comprehensive income	21.5		21.5
Accumulated deficit	(4.1)	(278.0)(f)	(282.1)
Total shareholders equity	471.1	(49.0)	422.1
Total liabilities and shareholders equity	$ 2,335.4	$ (28.8)	$ 2,306.6

Spirit AeroSystems Holdings, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Nine Months Ended September 28, 2006

	Nine Months Ended September 28, 2006	Pro Forma Adjustment for the Offering Transactions(f)	Pro Forma Nine Months Ended September 28, 2006
	(Unaudited) (Dollars in millions, except per share amounts)		
Net sales	$ 2,355.9	$	$ 2,355.9
Cost of sales	1,926.7		1,926.7
Selling, general and administrative	160.0	(1.5)(g)	158.5
Research and development	85.1		85.1
Total costs and expenses	2,171.8	(1.5)	2,170.3
Operating income	184.1	1.5	185.6
Interest expense and financing fee amortization	(34.8)	6.2(d)	(28.6)
Interest income	20.9		20.9
Other income, net	3.6		3.6
Income before income taxes	173.8	7.7	181.5
Provision for income taxes	(87.6)	(h)	(87.6)
Net income	$ 86.2	$ 7.7	$ 93.9
Net income per share, basic	$ 0.76		$ 0.70(i)
Shares used in per share calculation, basic	113.9		133.4
Net income per share, diluted	$ 0.71		$ 0.67(i)
Shares used in per share calculation, diluted	121.7		139.8

(a) *Cash and cash equivalents*

The pro forma adjustment to Cash and cash equivalents is attributable to the following items:

	Pro Forma September 28, 2006
Net proceeds from offering	$ 229.0
Cash portion of Union Equity Participation Plan payout	(150.0)
Prepayment of long-term debt	(100.0)
Termination of intercompany agreement with Onex Partners Manager, L.P.	(4.0)

Total pro forma adjustment to Cash and cash equivalents	$	(25.0)

(b) The pro forma adjustment to Other assets reflects a write-off of the imputed present value of Spirit s proportionate share of the subordinated delayed draw credit facility with Boeing for $3.6 million less $1.4 million of accumulated amortization. See Liquidity and Capital Resources . This adjustment also includes a $1.6 million write-off of a proportionate share of deferred financing fees associated with the $100.0 million prepayment of long-term debt.

(c) The pro forma adjustment to Stock issuance liability represents the value on the date of the offering of the stock portion of the Union Equity Participation Plan payout (5,006,829 x $24.00) that would be recorded as a liability until the date the shares are actually issued which would be approximately four months after the offering date.

(d) The pro forma adjustment to Interest expense primarily reflects a $6.0 million interest expense savings associated with the repayment of approximately $100 million of Term Loan B under the Senior

Table of Contents

Secured Credit Facilities (assuming interest at LIBOR plus applicable margin, as described in Use of Proceeds as well as the assumed interest rates used in calculating the Pro forma Acquisition Adjustments). If interest rates were to change by 0.125%, the total interest would increase (decrease) by approximately $0.6 million for the nine months ended September 28, 2006. In addition, the interest expense adjustment reflects the elimination of the structure under which Spirit borrows from an indirect subsidiary of Onex Wind, as outlined in Certain Relationships and Related Party Transactions Other Related Party Transactions and Business Relationships . This adjustment also reflects $0.2 million of deferred financing fees that have been written off proportionate to the debt pre-payment.

(e) The pro forma adjustment to Common stock and Additional paid-in capital reflects the increase in shares from the offering (10,416,667 shares issued or $0.1 million increase in Common stock and $229.0 million in Additional paid-in capital based on net proceeds of $21.98 per share).

(f) *Accumulated deficit*

The pro forma adjustments to Accumulated deficit are as follows:

		Pro Forma September 28, 2006
Stock compensation charge for Union Equity Participation Plan	$	(270.2)
Termination of intercompany agreement with Onex Partners Manager, L.P.		(4.0)
Writeoff of deferred financing fees proportionate to debt prepayment		(1.6)
Writeoff of Boeing delayed draw credit facility (see discussion in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources)		(2.2)
Total pro forma adjustment to Accumulated deficit	$	(278.0)

As these adjustments are non-recurring in nature, they have not been included in the Pro-Forma Consolidated Statement of Operations.

(g) The pro forma adjustment to Selling, general and administrative represents service fee credits of $1.5 million that will not be incurred by the Company after termination of the outstanding intercompany agreement with Onex Partners Manager, L.P.

(h) As of September 28, 2006, the Company continued to have a full valuation allowance of its deferred tax asset therefore the pro forma adjustments would have no impact on Provision for income taxes.

(i) Included in the Net income (loss) per share calculation are the 10,416,667 shares from this offering and the 5,006,829 shares for the Union Equity Participation Plan, both assumed to have been issued.

Overview of Pro Forma Consolidated Statement of Operations Adjustments for the Boeing Acquisition

The following unaudited pro forma consolidated statement of operations data gives effect to adjustments that we believe are (1) directly attributable to the Boeing Acquisition, (2) expected to have a continuing impact on the business and (3) factually supportable, as follows:

adjustments for revenues recorded as a stand alone business, based on actual deliveries for the period prior to the Boeing Acquisition with pricing as determined under our supply agreements with Boeing, rather than as a captive division whose costs are absorbed;

adjustments to compensation and benefits as a result of new union wage rates, incentive programs and benefit plans that became effective at the time of the Boeing Acquisition;

adjustments to interest, depreciation and amortization expense resulting from the $700 million Term Loan B, valuation of the assets under purchase accounting and the allocation of negative goodwill; and

adjustments for certain costs, including service fees payable to Onex, taxes and the recalculation of accreted income related to Spirit s non-interest bearing long-term receivable from Boeing in the aggregate amount of $277 million.

The unaudited pro forma consolidated statement of operations is based upon management s current estimate of, and good faith assumptions regarding, the adjustments arising from the transactions described above and is based upon currently available information.

Pro forma adjustments for the Boeing Acquisition include the effects of new contractual arrangements if the amounts are factually supportable, directly attributable to the Boeing Acquisition and expected to have a continuing impact on the statement of operations. In accordance with Regulation S-X, the following unaudited pro forma consolidated statement of operations data does not give effect to new distribution or cost sharing agreements, agreements with management, or compensation or benefit plans. In accordance with Regulation S-X, we also have not included any pro forma adjustments reflecting efficiencies from the transaction, including termination of employees, closure of plants and other restructuring changes. The unaudited pro forma statement of operations data is based on the historical financial statements of Boeing Wichita for the period from January 1, 2005 through June 16, 2005, the historical financial statements of Spirit Holdings for the period from February 7, 2005 through December 29, 2005, and other available information and certain management assumptions. The unaudited pro forma consolidated statement of operations data gives effect to the Boeing Acquisition as if it had occurred on January 1, 2005.

Table of Contents

SPIRIT AEROSYSTEMS HOLDINGS, INC.
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 29, 2005

	Predecessor Actual Results Period From January 1, 2005 through June 16, 2005 (I)	Pro Forma Adjustments Acquisition (II)	Pro Forma Adjustments Labor (III)	Predecessor Pro Forma Period From January 1, 2005 through June 16, 2005	Spirit Holdings Actual Results Period From February 7, 2005 through December 29, 2005(1)(2) (restated)	Spirit Holdings Pro Forma Year Ended December 29, 2005
	(Dollars in millions, except per share amounts)					
Net sales(3)	$	$ 1,165.3	$	$ 1,165.3	$ 1,207.6	$ 2,372.9
Cost of sales (Spirit Holdings)/						
Cost of products transferred (Predecessor)	1,163.9	(141.3)	(31.4)	991.2	1,056.4	2,047.6
Provision of energy services, net	(0.2)			(0.2)		(0.2)
SG&A, R&D, other period costs(4)	90.7	97.9		188.6	219.0	407.6
Operating income (loss)	(1,254.4)	1,208.7	31.4	(14.3)	(67.8)	(82.1)
Interest expense and financing fee amortization		(19.9)		(19.9)	(25.5)	(45.4)
Interest income					15.4	15.4
Other income, net		8.2		8.2	1.3	9.5
Provision for income taxes		(17.4)		(17.4)	(13.7)	(31.1)
Net income (loss)	$ (1,254.4)	$ 1,179.6	$ 31.4	$ (43.4)	$ (90.3)	$ (133.7)
Net loss per share, basic	N/A	N/A	N/A	N/A	$ (0.80)	$ (1.01)
Shares used in per share calculation, basic	N/A	N/A	N/A	N/A	113.5	132.6
Net loss per share, diluted	N/A	N/A	N/A	N/A	$ (0.80)	$ (1.01)
Shares used in per share calculation, diluted	N/A	N/A	N/A	N/A	113.5	132.6

(1) Spirit Holdings was formed on February 7, 2005 as a holding company of Spirit. Spirit s operations commenced on June 17, 2005, following the closing of the Boeing Acquisition.

(2) See Note 2 of our restated consolidated financial statements for further information regarding the restatement.

(3) For purposes of the Pro Forma Net Sales adjustment for the period from January 1, 2005 through June 16, 2005, sales were recorded upon the transfer of airplane units to Boeing. After the Boeing Acquisition, we adopted the use of contract accounting for profit recognition. The pro forma statement of operations data presented for the period from January 1, 2005 through June 16, 2005 does not include an adjustment to convert Boeing Wichita s historical accounting methodology to contract accounting.

(4) Included in actual SG&A, R&D, other period costs is the non-cash stock compensation charge of $22.1 million for the period ended June 16, 2005 and $34.7 million for the period from February 7, 2005 through December 29, 2005.

See notes to the unaudited pro forma consolidated statement of operations.

Table of Contents

	Spirit Holdings Pro Forma Year Ended December 29, 2005(a)	Pro Forma Adjustment for the Offering Transactions Period From January 1, 2005 through December 29, 2005(b)	Pro Forma as Adjusted Year Ended December 29, 2005
Net sales	$ 2,372.9	$	$ 2,372.9
Cost of sales/products transferred	2,047.4		2,047.4
SG&A, R&D, other period costs	407.6	(2.0)(c)	405.6
Operating income (loss)	(82.1)	2.0	(80.1)
Interest expense and financing fee amortization	(45.4)	7.1(d)	(38.3)
Interest income	15.4		15.4
Other income, net	9.5		9.5
Provision for (recovery of) income taxes	(31.1)		(31.1)
Net income (loss)	$ (133.7)	$ 9.1	$ (124.6)
Net income (loss) per share, basic	$ (1.01)		$ (0.94)(e)
Shares used in per share calculation, basic	132.6		132.6
Net income (loss) per share, diluted	$ (1.01)		$ (0.94)(e)
Shares used in per share calculation, diluted	132.6		132.6

(a) Includes the Predecessor pro forma adjustments for the Boeing Acquisition and Labor for the period from January 1, 2005 through June 16, 2005.

(b) Costs associated with the offering that are excluded from the pro forma income statement due to their non-recurring nature:

Stock compensation charge for Union Equity Participation Plan	$ (270.2)
Termination of intercompany agreement with Onex Partners Manager, L.P.	(4.0)
Writeoff of deferred financing fees proportionate to debt prepayment	(2.0)
Writeoff of Boeing delayed draw credit facility (see discussion in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources)	(2.5)
Total non-recurring adjustments	$ (278.7)

(c) The pro forma adjustment to SG&A, R&D, other period costs represents a service fee of $2.0 million for the period ended December 29, 2005 that will not be incurred by the Company after termination of the outstanding intercompany agreement with Onex Partners Manager, L.P.

(d) The pro forma adjustment to Interest expense reflects a $4.0 million interest expense savings associated with the repayment of approximately $100 million of Term Loan B under the Senior Secured Credit Facilities (assuming interest at LIBOR plus applicable margin, as described in Use of Proceeds). In addition, the interest expense adjustment reflects the elimination of the structure under which Spirit borrows from an indirect subsidiary of Onex Wind, as outlined in Certain Relationships and Related Party Transactions Other Related Party Transactions and Business Relationships . This adjustment also reflects $0.3 million of deferred financing fees that have been written off proportionate to the debt prepayment.

(e) Included in the Net income (loss) per share calculations are the 10,416,667 shares from this offering and the 5,006,829 shares for the Union Equity Participation Plan, both assumed to have been issued.

See notes to the unaudited pro forma consolidated statement of operations.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS DATA

Set forth below are notes that describe the assumptions underlying the adjustments to the pro forma consolidated statement of operations relating to the Boeing Acquisition.

(I) **Presentation of Historical Audited Statement of Operations Data for the Period from January 1, 2005 through June 16, 2005**

The historical financial data is presented to reflect the operation of Boeing Wichita as a cost center of BCA, not a separate legal entity. Historically, Boeing Wichita was an internal supplier of parts and assemblies for the B737, B747, B757, B767 and B777 airplane programs of BCA, with few sales to third party customers. Boeing Wichita included the manufacturing operations of BCA located in Wichita, Kansas; Tulsa, Oklahoma and McAlester, Oklahoma along with certain shared assets and operations of Boeing s Shared Services Group. This historical financial information reflects the actual financial statements of Boeing Wichita. Certain amounts have been allocated from Boeing s consolidated financial statements.

Pursuant to the Asset Purchase Agreement, Spirit acquired Boeing Wichita (including the assumption of certain liabilities). Boeing Wichita is the predecessor entity of Spirit Holdings for the periods prior to the Boeing Acquisition. The historical financial statements for the period from January 1, 2005 through June 16, 2005 present the associated historical assets, liabilities and operating costs of Boeing Wichita.

Since Boeing Wichita was operated as a cost center, costs incurred and allocated to Boeing Wichita were absorbed by BCA and revenues were not recorded in Boeing Wichita s historical financial statements. Cost of products transferred includes manufacturing labor, material and non-labor and site overhead costs. Fringe benefit costs are allocated to the cost of products transferred through the fringe rate as a percentage of labor dollars. Fringe costs include elements such as vacation, holiday, sick leave, medical, pension and postretirement medical, as described in the notes to our historical financial statements. Costs administered by Boeing are not allocated to the cost of products transferred.

Transactions with Boeing were conducted on a non-cash basis, and generally involved performance under intra-company arrangements between Boeing Wichita and Boeing.

Certain costs were incurred by Boeing on behalf of Boeing Wichita. To the extent practical, these costs were discretely transferred to Boeing Wichita, but in some cases, an allocation methodology was used to transfer the costs to Boeing Wichita. Management believes that these allocations are reasonable, but may not be indicative of costs that would have been incurred had Boeing Wichita been operated on a stand alone basis. These costs fall into the following three major categories and all such costs have been included in Boeing Wichita s historical financial statements.

First, the historical financial statements include costs directly related to the activities of Boeing Wichita, which were incurred by Boeing and transferred to Boeing Wichita for administrative purposes, including payroll, accounts payable, travel and employee benefits such as pension costs, and medical coverage. These costs are primarily included in cost of products transferred and the balance is included in SG&A, R&D and other period costs.

Second, costs incurred by Boeing on behalf of Boeing Wichita represented the purchase of parts from Boeing that are incorporated into the products of Boeing Wichita. The cost of these parts is treated the same as the cost of parts acquired from third parties and is included in cost of products transferred.

Third, costs incurred by Boeing on behalf of Boeing Wichita are either general and administrative or relate to support services provided by Boeing for the benefit of Boeing Wichita. These costs, except for those identified as general and administrative, are included in cost of products transferred.

(II) **Boeing Acquisition**

The Boeing Acquisition represents the impact of the following items:

(i) *Net Sales.*
The adjustments to produce total net sales are outlined as follows:

		1/1/2005- 6/16/2005
Program Revenue at Supply Agreement Prices(1)	$	1,073.3
Other Sales at Supply Agreement Prices(1)		47.4
B787 Revenue(1)		21.3
Spares Sales at Supply Agreement Prices(1)		33.7
Amortization of Intangibles and Depreciation of Tooling Related to Exclusivity Agreement(2)		(10.4)
Total Revenue	$	1,165.3

(1) This adjustment reflects the application of the contractually-determined pricing from our supply agreements with Boeing to the actual products and services transferred to Boeing during the period from January 1, 2005 through June 16, 2005. See Business Our Relationship with Boeing.

(2) This adjustment reflects the reduction of revenue related to the amortization of intangibles and tooling depreciation in accordance with Emerging Issues Task Force, or EITF, No. 01-3, *Accounting in a Business Combination for Deferred Revenue of an Acquiree* and EITF No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor s Products).*

(ii) *Cost of Sales/ Costs of Products Transferred.*
The adjustments to cost of products transferred are as follows:

		1/1/2005- 6/16/2005
B787 Reclassification(1)	$	(56.2)
G&A Reclassification(2)		(38.3)
Capitalized Tooling(3)		(18.5)
Depreciation Expense(4)		(28.3)
Total	$	(141.3)

(1) Cost of products transferred has been reduced by $56.2 million to reflect the reclassification of certain B787-related cost of products transferred as SG&A to conform to Spirit s classification. Historically, Boeing Wichita included these expenses in cost of products transferred. Spirit classifies these expenses as SG&A.

(2) Cost of products transferred has been reduced by $38.3 million to eliminate costs associated with accounting, human resources, payroll, security and other period expenses that were historically recorded by Boeing Wichita

as a cost of products transferred. These costs were reclassified as SG&A to conform to Spirit s classification.

(3) Cost of products transferred has been reduced by $18.5 million to eliminate the costs associated with tooling expenses. Historically, Boeing Wichita expensed certain tooling assets. Spirit capitalized these tooling assets after the closing of the Boeing Acquisition.

(4) Cost of products transferred was reduced for depreciation expense of $28.3 million due to the lower asset values resulting from the Boeing Acquisition, including the recognition and allocation of negative goodwill.

Table of Contents

(iii) *SG&A, R&D and Other Period Costs.*

SG&A, R&D and other period costs are outlined as follows:

	1/1/2005-6/16/2005
B787 Reclassification(1)	$ 56.2
SG&A Reclassification(2)	38.3
Other(3)	3.4
Total	$ 97.9

(1) SG&A has been increased by $56.2 million to reflect the reclassification of certain B787-related cost of products transferred as SG&A to conform to Spirit s classification of costs. Historically, Boeing Wichita included these costs in cost of products transferred. Spirit classifies these expenses as SG&A.

(2) SG&A has been adjusted by $38.3 million to add costs associated with accounting, human resources, payroll, security and other period costs that were reclassified from costs of products transferred to SG&A to conform to Spirit s classification of costs.

(3) Other period costs were increased by $3.4 million, including (a) amortization of favorable leasehold interest and other identified intangibles resulting from the Boeing Acquisition and (b) the Onex service fee ($2 million on an annual basis, prorated for five and a half months).

(iv) Interest Expense and Financing Fee Amortization. The pro forma adjustments to interest expense and financing fee amortization are based on the borrowings to finance the Boeing Acquisition as presented below:

	1/1/2005-6/16/2005
Term Loan B(1)	$ 17.5
Amortization of Loan Fees(2)	2.4
Interest Expense and Financing Fee Amortization	$ 19.9

(1) The Term Loan B s interest rate was determined as LIBOR plus 225 basis points. The following rates were used for calculating the interest for the Term Loan B during the months set forth below:

	Interest Rate
January 2005	5.00%
February 2005	5.17%
March 2005	5.37%
April 2005	5.46%
May 2005	5.59%

June 2005	5.68%

The effect of a 0.125% change in the interest rate on the Term Loan B would increase or decrease annual pro forma interest expense by $0.8 million.

(2) Deferred financing amortization expense for the period from January 1, 2005 through June 16, 2005 is based on monthly amortization of deferred financing fees incurred due to the debt borrowed to fund the Boeing Acquisition.

(v) *Other Income and Expense, Net.* Other income and expense, net has been adjusted to account for the estimated accretion income related to Spirit s non-interest bearing long-term receivable from Boeing in the aggregate amount of $277 million payable in 2007, 2008 and 2009 attributable to the acquisition of title of various tooling and other capital assets.

(vi) *Income Taxes.* The pro forma tax adjustment of $17.4 million to income taxes reflects the tax effect of the pro forma adjustment to operating income. Tax expense was based on the following assumptions: (1) all actual temporary and permanent book versus tax differences as recognized by Spirit Holdings in the post-Boeing Acquisition period in 2005 were applied to the pre-Boeing Acquisition period in 2005 and (2) 100% of the actual valuation allowance recorded on net deferred tax assets utilized by Spirit in the post-Boeing Acquisition period in 2005 was assumed to be consistent with valuation allowance on net deferred tax assets for the pre-Boeing Acquisition period in 2005.

(III) **Labor Costs**

New union wage rates took effect upon, and pension, health and welfare benefits, post-retirement and incentive plans were adjusted as a result of, the Boeing Acquisition. The historical costs incurred have been adjusted by $11.6 million as a result of wage changes and $19.8 million as a result of fringe rate changes. The wage reduction adjustment was calculated using the average number of union employees as of each of January 1, 2005 and June 16, 2005 and the difference between the actual wage rates in effect as of each of January 1, 2005 and June 30, 2005.

Actual fringe rates as a percentage of labor incurred by us for the period from June 17, 2005 through December 29, 2005 were applied to the lower base labor cost to calculate the fringe rate adjustment.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following table sets forth our selected consolidated financial data for each of the periods indicated. The periods prior to and including June 16, 2005 reflect data of our Predecessor for financial accounting purposes. The periods beginning June 17, 2005 reflect our financial data after the Boeing Acquisition. Financial data for the year ended December 31, 2001 (Predecessor), the year ended December 31, 2002 (Predecessor), the year ended December 31, 2003 (Predecessor), the year ended December 31, 2004 (Predecessor), the period from January 1, 2005 through June 16, 2005 (Predecessor) and the period from June 17, 2005 through December 29, 2005 (Spirit Holdings) are derived from the audited consolidated financial statements of Predecessor or the restated audited consolidated financial statements of Spirit Holdings, as applicable. The audited consolidated financial statements for the year ended December 31, 2003 (Predecessor), the year ended December 31, 2004 (Predecessor), the period from January 1, 2005 through June 16, 2005 (Predecessor) and the period from June 17, 2005 through December 29, 2005 (Spirit Holdings) are included in this prospectus. Financial data as of and for the nine months ended September 28, 2006 (Spirit Holdings) are derived from the unaudited consolidated financial statements of Spirit Holdings, included in this prospectus. Interim results are not necessarily indicative of the results to be expected for the entire fiscal year. You should read the information presented below in conjunction with Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and our combined and consolidated financial statements and related notes contained elsewhere in this prospectus.

	Spirit Holdings		Predecessor				
	Nine Months Ended September 28, 2006	Period from June 17, 2005 through December 29, 2005(1)	Period from January 1, 2005 through June 16, 2005	Fiscal Year Ended December 31, 2004	December 31, 2003	December 31, 2002	December 31, 2001
	(unaudited)	(restated)					
				(Dollars in millions)			
Statement of Income Data:							
Net sales	$ 2,355.9	$ 1,207.6	N/A	N/A	N/A	N/A	N/A
Cost of sales	$ 1,926.7	1,056.4	$ 1,163.9	$ 2,074.3	$ 2,063.9	$ 2,350.7	$ 2,945.0
Selling, general & administrative expenses(2)	$ 160.0	140.7	79.7	155.1	116.7	135.1	138.1
Research & development	$ 85.1	78.3	11.0	18.1	17.3	18.5	21.9
Special charges(3)	$				10.3		49.0
Operating income (loss)	$ 184.1	(67.8)	N/A	N/A	N/A	N/A	N/A
Interest expense and financing fee amortization	$ (34.8)	(25.5)	N/A	N/A	N/A	N/A	N/A
Interest income	$ 20.9	15.4					
Other income, net	$ 3.6	1.3	N/A	N/A	N/A	N/A	N/A

Income (loss) before income taxes	$ 173.8	(76.6)	N/A	N/A	N/A	N/A	N/A
Provision for income taxes	$ (87.6)	(13.7)	N/A	N/A	N/A	N/A	N/A
Net income (loss)	$ 86.2	$ (90.3)	N/A	N/A	N/A	N/A	N/A
Net income (loss) per share, basic	$ 0.76	$ (0.80)	N/A	N/A	N/A	N/A	N/A
Shares used in per share calculation, basic	113.9	113.5	N/A	N/A	N/A	N/A	N/A
Net income (loss) per share, diluted	$ 0.71	$ (0.80)	N/A	N/A	N/A	N/A	N/A
Shares used in per share calculation, diluted	121.7	113.5	N/A	N/A	N/A	N/A	N/A
Other Financial Data:							
Cash flow provided by (used in) operating activities	$ 325.7	$ 223.8	$ (1,177.8)	$ (2,164.9)	$ (2,081.8)	$ (2,281.8)	$ (3,034.3)
Cash flow used in investing activities	$ (365.7)	$ (1,030.3)	$ (48.2)	$ (54.4)	$ (43.3)	$ (50.4)	$ (61.3)
Cash flow provided by (used in) financing activities	$ (12.5)	$ 1,047.8	N/A	N/A	N/A	N/A	N/A
Capital expenditures	$ (233.4)	$ (144.6)	$ (48.2)	$ (54.4)	$ (43.3)	$ (50.4)	$ (61.3)

45

Table of Contents

	Spirit Holdings		Predecessor			
	As of		As of			
	Nine Months Ended September 28, 2006	December 29, 2005(1)	December 31, 2004	December 31, 2003	December 31, 2002	December 31, 2001
		(restated)				
			(Dollars in millions)			
Consolidated Balance Sheet Data:						
Cash & cash equivalents(4)	$ 189.0	$ 241.3	$ 3.0	$ 3.6	$ 1.3	$ 1.7
Accounts receivable, net	$ 215.7	$ 98.8	$ 2.0	$ 2.0	$ 1.6	$ 1.6
Inventories	$ 731.7	$ 510.7	$ 524.6	$ 529.4	$ 535.1	$ 683.9
Property, plant & equipment, net	$ 716.7	$ 518.8	$ 511.0	$ 555.3	$ 611.8	$ 667.1
Total assets	$ 2,335.4	$ 1,656.6	$ 1,043.6	$ 1,093.3	$ 1,153.1	$ 1,358.1
Total debt	$ 722.5	$ 721.6	N/A	N/A	N/A	N/A
Long-term debt	$ 699.3	$ 710.0	N/A	N/A	N/A	N/A
Shareholders equity	$ 471.1	$ 325.8	N/A	N/A	N/A	N/A

(1) See Note 2 of the restated consolidated financial statements for further information regarding the restatement.

(2) Includes non-cash stock compensation expenses of $40.8 million, $34.7 million, $22.1 million, $23.3 million, $12.9 million, $9.1 million and $7.2 million for the respective periods starting with the nine months ended September 28, 2006.

(3) In 2001, a special charge was allocable to Boeing Wichita in connection with the terrorist attacks of September 11, 2001. In 2003, a charge was allocable to Boeing Wichita in connection with the close-out of the Boeing B757 program.

(4) Prior to the Boeing Acquisition, the Predecessor was part of Boeing s cash management system, and consequently, had no separate cash balance. Therefore, at December 31, 2004, December 31, 2003, December 31, 2002 and December 31, 2001, the Predecessor had negligible cash on the balance sheet.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the audited restated consolidated financial statements, the notes to the audited restated consolidated financial statements and the Selected Consolidated Financial Information and Other Data appearing elsewhere in this prospectus. This discussion covers periods before and after the closing of the Boeing Acquisition. The discussion and analysis of historical periods prior to the Boeing Acquisition do not reflect the impact of the Boeing Acquisition. In addition, this discussion contains forward-looking statements that must be understood in the context of numerous risks and uncertainties, including, but not limited to, those described in the Risk Factors section of this prospectus. See Cautionary Statements Regarding Forward-Looking Statements. Our results may differ materially from those anticipated in any forward-looking statements.

Restatement

In conjunction with this offering, we and our board of directors reassessed the fair market values ascribed for financial accounting purposes to common stock purchased by management as well as restricted stock awards issued to employees under our Executive Incentive, Short Term Incentive and Long Term Incentive Plans and to directors under our Director Stock Plan in fiscal 2005 and through June 29, 2006. We adjusted the fair values ascribed to these equity awards for financial accounting purposes to the fair value of our underlying equity using appraisals and valuations of the underlying net assets and other data necessary to reasonably estimate such value on a per share basis at the various grant dates. We then calculated additional stock compensation expense necessary to be recognized in accordance with SFAS No. 123(R) as a result of this change in valuation. Accordingly, we have restated our financial statements as of June 29, 2006 and December 29, 2005 and for the periods then ended to reflect the additional stock compensation expense and related tax impact had these equity awards been recorded at their currently estimated fair values. We also recorded the entries that had previously remained as unadjusted differences at December 29, 2005 resulting in a discrete non-cash charge to pre-tax earnings of $0.8 million for the period from inception (February 7, 2005) through December 29, 2005 and a non-cash increase to pre-tax earnings of $1.2 million for the six-month period ending June 29, 2006. The fair market value reassessment portion of the restatement resulted in an additional non-cash charge to Selling, general and administrative expense of $30.5 million, and a corresponding increase in Net loss of $30.5 million for the period from inception (February 7, 2005) through December 29, 2005 and an additional non-cash charge to Selling, general and administrative expense of $19.0 million, an increase in Provision for income taxes of $5.0 million and a reduction of Net income by $24.0 million for the six-month period ending June 29, 2006. Additional information regarding the effect of the restatement to reflect these changes is included in Note 2 to our restated consolidated financial statements included in this prospectus.

The following table presents the estimated effect of the change in valuation on stock compensation expense by year both historically and for future periods for awards issued prior to June 29, 2006:

	Period from June 17, 2005 through December 29, 2005	Period from December 30, 2005 through June 29, 2006	Period from June 30, 2006 through December 31, 2006	For the years ending December 31, 2007	2008	2009	2010	2011	Total
As previously reported(1)	$ 4.2	$ 7.3	$ 7.1	$ 4.1	$ 2.5	$ 1.3	$ 0.4	$	$ 26.9
As restated	34.7	26.3	28.0	25.5	14.6	8.0	2.9	0.2	140.2

Difference	$	30.5	$	19.0	$	20.9	$ 21.4	$ 12.1	$ 6.7	$ 2.5	$ 0.2	$ 113.3

(1) For the periods ending after June 29, 2006, the presented figures represent the estimated future spread of the original calculated fair values. The values presented for the period from June 17, 2005 through December 29, 2005 and the period from December 30, 2005 through June 29, 2006 are the amounts that were previously presented in the statements of cash flows.

Overview

We are the largest independent non-OEM designer and manufacturer of aerostructures in the world. Aerostructures are structural components, such as fuselages, propulsion systems and wing systems for commercial, military and business jet aircraft. We derive our revenues primarily through long-term supply agreements with Boeing and Airbus. For the nine months ended September 28, 2006, we generated net revenues of approximately $2,356 million and net income of approximately $86 million. For the three months ended September 28, 2006, we generated revenues of approximately $830 million and net income of approximately $34 million.

We are organized into three principal reporting segments: (1) Fuselage Systems, which include the forward, mid-and rear fuselage sections, (2) Propulsion Systems, which include nacelles, struts/pylons and engine structural components and (3) Wing Systems, which include wings, wing components and flight control surfaces. All other activities fall within the All Other segment, principally made up of sundry sales of miscellaneous services and sales of natural gas through a tenancy-in-common with other Wichita companies. Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 49%, 27%, 23% and 1%, respectively, of our revenues for the quarter ended September 28, 2006.

Market Trends

The financial health of the commercial airline industry has a direct and significant effect on our commercial aircraft programs. The commercial airline industry is impacted by the strength of the global economy and geo-political events around the world. The commercial airline industry suffered after the terrorist attacks of September 11, 2001 and the subsequent downturn in the global economy, the SARS epidemic in 2002 and, more recently, from rising fuel prices and the conflicts in the Middle East. In the last two years, the industry has shown signs of strengthening with increases in global revenue passenger miles (RPMs) driven in large part by deregulation and economic growth in Asia and the Middle East, although rising fuel prices, conflicts in the Middle East, major U.S. airline financial distress and the risk of additional terrorist activity have tempered the recovery.

Both Boeing and Airbus experienced record airplane orders in 2005. As reported by Boeing and Airbus as of September 30, 2006, they had a combined backlog of 4,294 commercial aircraft, which has grown from a backlog of 3,968 as of December 31, 2005. The current backlog represents approximately 5.2 years of production at expected 2006 delivery rates. Many industry experts believe that the strength of commercial orders will continue through the next several years, though they are not expected to approach the 2005 record levels. As a result, Boeing and Airbus have announced increased production rates, including on the B737, B777 and A320 models, on which we have significant work content. The following table sets forth the historical deliveries of Boeing and Airbus and their announced delivery expectations for 2006.

	2001	2002	2003	2004	2005	2006
Boeing	527	381	281	285	290	395
Airbus	325	303	305	320	378	430
Total	852	684	586	605	668	825

Boeing s deliveries decreased by approximately 28% in 2002 and by approximately another 26% in 2003. Boeing s deliveries rose slightly in each of 2004 and 2005 and are expected to rise by approximately 36% in 2006. Airbus experienced more stable delivery rates from 2001 through 2004. Airbus deliveries then rose by approximately 18% in 2005 and are expected to rise by approximately another 14% in 2006. Total deliveries for Boeing and Airbus decreased by approximately 20% and 14% in 2002 and 2003, respectively. Total deliveries increased by approximately 3% and 10% in 2004 and 2005, respectively, and are expected to grow by approximately an additional 24% in 2006.

Although the commercial aerospace industry is in a cycle of increased production, our business could be adversely affected by significant changes in the U.S. or global economy. Historically, aircraft travel, as measured by global

RPMs, generally correlates to economic conditions and a reduction in aircraft travel

could result in a decrease in new orders, or even cancellation of existing orders, for new or replacement aircraft, which in turn could adversely affect our business. Part of our strategy during this upturn is to work on diversifying our customer base and reducing our fixed to variable cost ratio so we have downside protection in this cyclical market.

In recent years, Boeing has announced the possibility of terminating its B767 program. Although B767 orders and backlog increased in 2005, Boeing could terminate the B767 program unless commercial airlines order additional aircraft in sufficient quantities to justify continued production or the U.S. Air Force launches a tanker program using the B767 as a platform. Boeing has announced that it is reasonably possible that a decision to end production of the B767 program could be made in 2007. Although we cannot predict the likelihood of Boeing terminating production of the B767 program, we do not believe that termination of the B767 program would have a material impact on our results of operations, balance sheet or cash flows as it does not comprise a significant portion of our business.

The Boeing Acquisition and Related Transactions

In December 2004 and February 2005, an investor group led by Onex Partners LP and Onex Corporation formed the companies of Spirit and Spirit Holdings, respectively, for the purpose of acquiring Boeing Wichita. On June 16, 2005, Spirit acquired Boeing Wichita for a cash purchase price of approximately $904 million and the assumption of certain liabilities, pursuant to the Asset Purchase Agreement. Based on final working capital and other factors specified in the Asset Purchase Agreement, a purchase price adjustment of $19 million was paid to Spirit in the fourth quarter of 2005. The acquisition was financed through borrowings of a $700 million Term Loan B under our Senior Secured Credit Facilities and an equity investment of $375 million. Proceeds from the Term Loan B were used to consummate the Boeing Acquisition and pay fees and expenses incurred in connection therewith and for working capital. Our senior secured credit facilities also include a $175 million revolving credit facility, none of which was borrowed at the closing date of the Boeing Acquisition and $0.3 million of which is outstanding in the form of letters of credit as of September 28, 2006. In connection with the Boeing Acquisition, Boeing is required to make future payments to Spirit in amounts of $45.5 million, $116.1 million and $115.4 million in 2007, 2008 and 2009, respectively, in payment for various tooling and capital assets built or purchased by Spirit. Spirit will retain unimpeded usage rights and custody of these assets for their remaining useful lives without compensation to Boeing. Boeing also contributed $30 million to us to partially offset our costs to transition to a stand alone company. The fair value of the various assets acquired and liabilities assumed were determined by management based on valuations performed by an independent third party. The fair value of the net assets acquired exceeded the total consideration for the acquisition by approximately $739.1 million. The excess (negative goodwill) was allocated on a pro rata basis to long-lived assets.

In connection with the Boeing Acquisition, we entered into a long-term supply agreement under which we are Boeing s exclusive supplier for substantially all of the products and services that Boeing Wichita provided to Boeing prior to the Boeing Acquisition. The supply contract is a requirements contract covering certain products such as fuselages, struts, wing components and nacelles for Boeing B737, B747, B767 and B777 commercial aircraft programs for the life of these programs, including any commercial derivative models. Pricing for existing products is contractually set through May 2013, with average prices decreasing at higher volume levels and increasing at lower volume levels. We also entered into a long-term supply agreement for Boeing s new B787 platform covering the life of this platform, including commercial derivatives. Under this contract, we will be Boeing s exclusive supplier for the forward fuselage, fixed and moveable leading wing edges and struts for the B787. Pricing for these products on the B787-8 model is generally set through 2021, with prices decreasing as cumulative production volume levels are achieved over time.

Cost Savings

In connection with and since the Boeing Acquisition, Spirit was able to achieve substantial cost reductions by renegotiating labor contracts, reducing pension and fringe benefit costs and utilizing strategic sourcing to lower the cost of procuring raw materials and certain internal processes. Below are

management s estimates of the average annual cost savings resulting from these agreements negotiated following the Boeing Acquisition.

Direct Labor. We implemented two significant cost reduction initiatives in conjunction with the Boeing Acquisition that lowered our direct labor costs. We hired 1,300 fewer people than the predecessor had employed, which translates into approximately $112 million of annual savings. Pursuant to the terms of the Asset Purchase Agreement, we did not incur severance obligations to former Boeing employees that we did not hire. We were able to operate with fewer people due to higher productivity among our remaining employees, favorable contract terms, new work rules and realignment of business units. Additionally, new union contracts provided for wage reductions of 10%, on average, for our direct labor force. Since the Boeing Acquisition, new employees required to support increasing production levels have been hired at lower starting wage rates. The new union contracts and changing mix of pre- and post-Boeing Acquisition employees have resulted in approximately $65 million in annual cost savings, assuming a constant level of employees. The new union agreements provide for an escalation of labor costs by approximately $20 million per year, assuming a constant level of employees.

Pension and Other Benefits (Fringe). Cost reduction initiatives related to the Boeing Acquisition have also lowered our pension and other benefits (fringe) costs. We were able to achieve substantial cost reductions by switching employee retirement plans from defined benefit plans to defined contribution plans and raising the required employee medical plan contribution percentage. The resulting cost savings lowered our fringe rate as a percentage of labor by five percentage points, which translates into approximately $27 million of annual savings, assuming a constant level of employees. Subsequently, as of January 2006, we recognized further fringe benefits reductions based on the results of our first six months of operations, lowering our fringe rate as a percentage of labor by a further 10 percentage points, or approximately $59 million, on an annual basis. The major contributors to this reduction were lower negotiated medical premiums from third party providers as a result of experience and plan redesign, hiring of Boeing retirees who are covered under Boeing s retiree medical plan, lower paid time off due to changing seniority levels, as described above, further pension/retirement reductions and improved workers compensation claims experience.

As a result of the adjustments recorded in June 2006 to reflect the final pension asset transfer discussed in Note 3 within the notes to our restated consolidated financial statements under the heading Acquisition of Spirit, we expect to realize additional annual savings of approximately $30 million in the form of higher pension income and lower depreciation and amortization expense.

As a result of the revaluation of the fair values ascribed to common stock purchased by and granted to management and others, we have recognized incremental non-cash stock compensation charges of $30.5 million and $19.0 million for the period from inception (February 7, 2005) through December 29, 2005 and the six month period ending June 29, 2006, respectively. See Note 2 to our restated consolidated financial statements for additional details.

Strategic Sourcing. In addition to cost reduction initiatives implemented in connection with the Boeing Acquisition, strategic sourcing has created additional average annual savings of approximately $23 million over the current estimated production quantity. These savings are comprised of approximately $7 million from lower cost structures associated with services that were provided by Boeing such as housekeeping and security and $16 million of direct material savings.

Union Equity Participation Plan Compensation Expense

We have established a Union Equity Participation Plan pursuant to which we will issue stock appreciation rights tied to the value of our class B common stock for the benefit of certain of our union-represented employees. See Business Employees. Upon the consummation of this offering, based on an assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of this prospectus, the stock appreciation rights will entitle the employees to receive a total of approximately $270.2 million, in cash and/or shares of class A common stock at our discretion, resulting in a compensation expense to us of $270.2 million in the period in which this offering is consummated.

Recent Events

Acquisition of BAE Aerostructures. On April 1, 2006, through our wholly-owned subsidiary, Spirit Europe, we acquired BAE Aerostructures for a cash purchase price of approximately $145.7 million and the assumption of certain normal course liabilities (including accounts payable of approximately $57.8 million). Spirit Europe manufactures leading and trailing wing edges and other wing components for commercial aircraft programs for Airbus and Boeing and produces various aerostructure components for certain Raytheon business jets. The BAE Acquisition provides us with a foundation to increase future sales to Airbus, as Spirit Europe is a key supplier of wing and flight control surfaces for the A320 platform, Airbus core single aisle program, and of wing components for the A380 platform, one of Airbus most important new programs and the world s largest commercial passenger aircraft. Under our supply agreements with Airbus, we supply most of our products for the life of the aircraft program, including commercial derivative models, with pricing determined through 2010. For the A380, we have a long-term supply contract with Airbus that covers a fixed number of units.

Boeing Strike. On September 2, 2005, Boeing experienced a strike during collective bargaining discussions with the International Association of Machinists and Aerospace Workers, or the IAM. At the onset of the strike, Boeing implemented a ship-in-place plan for all Spirit-produced major components. During the ship-in-place period, we continued production at a reduced rate, but did not physically deliver any products to Boeing, other than miscellaneous spares and small components. We recognized revenue on these ship-in-place units consistent with contractual terms. During this time period, we worked with our employees to reduce work weeks instead of implementing layoffs and furloughs. After Boeing reached a three-year agreement with the IAM on September 29, 2005, Spirit and Boeing worked together to return production to normal rates by January 2006. The reduced production rates during and for a period of time after the strike reduced Spirit s revenue by an estimated $172 million for the six and one-half months ended December 29, 2005 and negatively impacted our revenue, income and cash flows for the first quarter of 2006.

Basis of Presentation

Since the Boeing Acquisition was effective on June 17, 2005, the financial statements and subsidiary detail for prior periods relate to its predecessor, the Wichita Division of BCA, which we refer to as Boeing Wichita or the Predecessor, and are presented on a carve-out basis. As a result, we believe that these financial statements for the Predecessor are not comparable to the financial statements for Spirit Holdings for periods following the Boeing Acquisition, as described under the heading Pre-Boeing Acquisition Results are Not Comparable to Post-Boeing Acquisition Results.

Prior to the Boeing Acquisition. Prior to the completion of the Boeing Acquisition, the Predecessor was a division of Boeing and was not a separate legal entity. Historically, the Predecessor functioned as an internal supplier of parts and assemblies to Boeing aircraft programs and had very few sales to third parties. It operated as a cost center within Boeing, meaning that it recognized its cost of products manufactured for BCA programs, but did not recognize any corresponding revenues for those products. No intra-company pricing was established for the parts and assemblies that the Predecessor supplied to Boeing. Revenues from sales to third parties were insignificant, consisting of less than $100,000 in each year from 2001 through 2004, and in the period from January 1, 2005 through the closing date of the Boeing Acquisition. As a cost center, the division operated under intra-company arrangements with Boeing, with all transactions with Boeing conducted on a non-cash basis. The Predecessor accumulated incurred costs and assigned a per-finished item value to the airplane programs as completed items were delivered to Boeing s Puget Sound facilities for final assembly.

Certain amounts included in the Predecessor s financial statements have been allocated from BCA and/or Boeing. Spirit believes that these allocations are reasonable, but not necessarily indicative of costs that would have been incurred by Boeing Wichita had it operated as a stand alone business for the same periods.

Statements of cash flows have not been presented for the Predecessor because it did not maintain cash accounts and participated in Boeing s centralized cash management systems and Boeing funded all of its cash requirements.

The Predecessor s financial statements include both the Wichita and Tulsa/ McAlester sites. All intercompany balances and transactions involving the consolidating entities have been eliminated in consolidation.

Post Boeing Acquisition. Since the Boeing Acquisition, Spirit has operated as a stand alone entity with its own accounting records. The restated consolidated financial statements include Spirit Holdings, Spirit and its other subsidiaries in accordance with Accounting Research Bulletin No. 51, SFAS No. 94 and Financial Accounting Standards Board, or FASB, Interpretation No. 46(R). All intercompany balances and transactions have been eliminated in consolidation.

Critical Accounting Policies

The following discussion and analysis of our financial condition and results of operations is based upon our restated consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to inventories, income taxes, financing obligations, warranties, pensions and other postretirement benefits and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management believes that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, we caution you that the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions.

The following are the most critical accounting policies of Spirit Holdings, which are those that require management s most subjective and complex judgments, requiring the use of estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Revenue and Profit Recognition

A significant portion of Spirit s revenues are recognized under long-term, volume-based pricing contracts, requiring delivery of products over several years. Spirit recognizes revenue under the contract method of accounting and records sales and profits on each contract in accordance with the percentage-of-completion method of accounting, using the units of delivery method. We follow the requirements of Statement of Position 81-1 (SOP 81-1), *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (the contract method of accounting), using the cumulative catch-up method in accounting for revisions in estimates. Under the cumulative catch-up method, the impact of revisions in estimates is recognized immediately when changes in estimated contract profitability become known.

A profit rate is estimated based on the difference between total revenues and total costs of a contract. Total revenues at any given time include actual historical revenues up to that time plus future estimated revenues. Total costs at any given time include actual historical costs up to that time plus future estimated costs. Estimated revenues include negotiated or expected values for units delivered, estimates of probable recoveries asserted against the customer for changes in specifications, price adjustments for contract and volume changes, and escalation. Costs include the estimated cost of certain pre-production effort (including nonrecurring engineering and planning subsequent to completion of final design) plus the estimated cost of manufacturing a specified number of production units. Estimates take into account assumptions relative to future labor performance and rates, and projections relative to material and overhead costs including expected learning curve cost reductions over the term of the contract. The specified number of production units used to establish the profit margin is predicated upon contractual

terms and market forecasts, and for Boeing contracts, is closely aligned with Boeing s disclosed accounting quantities. The assumed timeframe/period is generally equal to the period specified in the contract. If the contract is a life of program contract, then such period is equal to the time period covered by the estimated number of production units. Estimated revenues and costs also take into account the expected impact of specific contingencies that we believe are probable.

Estimates of revenue and cost for our contracts span a period of multiple years and are based on a substantial number of underlying assumptions. We believe that the underlying assumptions are sufficiently reliable to provide a reasonable estimate of the profit to be generated. However, due to the significant length of time over which revenue streams will be generated, the variability of the revenue and cost streams can be significant if the assumptions change.

For revenues not recognized under the contract method of accounting, we recognize revenues from the sale of products at the point of passage of title, which is generally at the time of shipment. Revenues earned from providing maintenance service are recognized when the service is complete.

For hardware end items, the Predecessor recognized transferred costs when the item was due on dock at Boeing s major assembly facility. Costs of products manufactured at the Predecessor s Wichita site were valued at discrete unit cost, while costs of products manufactured at its Tulsa/ McAlester facility were valued based on the estimated average cost for a Boeing-defined block of units. The cost of other work (services, tooling, etc.) was measured at actual cost as the costs were incurred by the Predecessor.

We treat the Boeing-owned tooling that we use in the performance of our supply agreements with Boeing as having been obtained in the Boeing Acquisition pursuant to the equivalent of a capital lease and we take a charge against revenues for the amortization of such tooling in accordance with EITF No. 01-3, *Accounting in a Business Combination for Deferred Revenue of an Acquiree* and EITF No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor s Products).*

Inventory

Raw materials are stated at the lower of cost (on an actual or average cost basis) or market which is consistent with the Predecessor s valuation of raw materials. Inventory costs relating to long-term contracts are stated at the actual production costs, including manufacturing and engineering overhead incurred to date, reduced by amounts associated with revenue recognized on units delivered.

Inventory costs on long-term contracts include certain pre-production costs incurred once research and development activity has ended and the product is ready for manufacture, including applicable overhead, in accordance with SOP 81-1. In addition, inventory costs typically include higher learning curve costs on new programs. These factors usually result in an increase in inventory (referred to as excess-over-average or deferred production costs) during the early years of a contract. These costs are deferred only to the extent the amount of actual or expected excess-over-average is reasonably expected to be fully offset by lower than average costs in future periods of a contract.

If we determine that in-process inventory plus estimated costs to complete a specific contract exceeds the anticipated remaining sales value of such contract, such excess is charged to cost of sales in the period in which such determination is made, thus reducing inventory to estimated realizable value.

Finished goods inventory is stated at its estimated average per unit cost based on all units expected to be produced.

Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109. Deferred income tax assets and liabilities are recognized for future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is recorded to reduce deferred income tax assets to an amount that, in the opinion of management, will ultimately be realized. The effect of changes in tax rates is recognized during the period in which the rate change occurs.

We record an income tax expense or benefit based on the net income earned or net loss incurred in each tax jurisdiction and the tax rate applicable to that income or loss. In the ordinary course of business, there are transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different than the estimates originally made by management in determining the income tax provision. A change to these estimates could impact the effective tax rate and, subsequently, net income or net loss.

The Predecessor had no income taxes identified or allocated to it (all income taxes were held at the Boeing corporate level).

Pensions and Other Post-Retirement Benefits

We account for pensions and other post-retirement benefits in accordance with SFAS No. 87, *Employers Accounting for Pensions* and SFAS No. 106, *Employers Accounting for Postretirement Benefits Other Than Pensions.* Assumptions used in determining the benefit obligations and the annual expense for our pension and post-retirement benefits other than pensions are evaluated and established in conjunction with an independent actuary.

We set the discount rate assumption annually for each of our retirement-related benefit plans as of the measurement date, based on a review of projected cash flows and long-term high quality corporate bond yield curves. The discount rate determined on each measurement date is used to calculate the benefit obligation as of that date, and is also used to calculate the net periodic benefit expense/(income) for the upcoming plan year.

We derive assumed expected rate of return on pension assets from the long-term expected returns based on the investment allocation by class specified in our investment policy. The expected return on plan assets determined on each measurement date is used to calculate the net periodic benefit expense/ (income) for the upcoming plan year.

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement health care plans. To determine the health care cost trend rates, we consider national health trends and adjust for our specific plan designs and locations.

The Predecessor participated in various pension and post-retirement plans sponsored by Boeing which covered substantially all of its employees. The costs of such plans were not discretely identifiable to the Predecessor but were allocated by Boeing to the Predecessor and included in the cost of products transferred. The assets and obligations under these plans were also not discretely identified to the Predecessor.

Stock Compensation Plans

Upon inception we adopted SFAS No. 123(R) which generally requires companies to measure the cost of employee and non-employee services received in exchange for an award of equity instruments based on the grant-date fair value and to recognize this cost over the requisite service period or immediately if there is no service period or other performance requirements. Stock-based compensation represents a significant accounting policy of ours which is further described in Note 3 within the notes to our restated consolidated financial statements included in this prospectus.

We have established various stock compensation plans which include restricted share grants and stock purchase plans.

In determining the fair value of our restricted stock grants, for purposes of determining the corresponding compensation expense recorded in our financial statements, we originally relied on the $3.33 per common share equity financing for the Boeing Acquisition for those grants that occurred within 60 days following the transaction. For grants made or earned later in 2005, we did not obtain contemporaneous valuations by an unrelated valuation specialist, but instead relied on an internal valuation as of December 29, 2005. This internal valuation was prepared by management using the mid-point of two current value methodologies the market and income valuation approaches. We initially estimated the

Table of Contents

fair value of our common stock to be approximately $7.67 per common share (stock split adjusted) at December 29, 2005. We also initially used this valuation for stock issuances made in February 2006. During the course of preparing our financial statements for this offering, we adjusted the fair values of the stock purchases by employees and the restricted stock grants issued to our employees and directors and recorded the corresponding compensation expense. Using appraisals and valuations of the underlying net assets and other data necessary to reasonably estimate such value, we calculated a range of $9.72 to $21.62 per common share (stock split adjusted) for those grants that occurred between June 17, 2005 and July 31, 2006. As a result of these new valuations, the Selling, general and administrative expense for the period from June 17, 2005 through December 29, 2005 was increased by $30.5 million to $34.7 million. For the first nine months of 2006, the Company recognized a total of $40.8 million of stock compensation expense. See Note 2 to our restated consolidated financial statements. There were 316,188 shares granted under the Executive Incentive Plan during the third quarter of 2006 at an average grant value of $21.56 per common share.

Purchase Accounting

Boeing Acquisition. We have accounted for the Boeing Acquisition as a purchase in accordance with SFAS No. 141, *Business Combinations,* and recorded the assets acquired and liabilities assumed based upon the estimated fair value of the consideration paid, which is summarized in the following table.

	(Dollars in millions)
Cash payment to Boeing	$ 904
Direct costs of the acquisition	20
Less:	
Consideration to be returned from Boeing for sale of capital assets	(203)
Consideration to be returned from Boeing for transition costs	(30)
Working capital settlement	(19)
Total consideration	$ 672

Direct costs of the acquisition include professional fees paid to outside advisors for investment banking, legal, tax, due diligence, appraisal and valuation services.

In connection with the Boeing Acquisition, Boeing is required to make future non-interest bearing payments to Spirit in amounts of $45.5 million, $116.1 million and $115.4 million in 2007, 2008 and 2009, respectively, in payment for various tooling and capital assets built or purchased by Spirit. Spirit will retain usage rights and custody of the assets for their remaining useful lives without compensation to Boeing. Since Spirit retains the risks and rewards of ownership to such assets, Spirit recorded such amounts as consideration to be returned from Boeing at a net present value of approximately $203.0 million. The initial amount will be accreted as interest income until payments occur and is recorded as a component of other assets. The accretion of interest income was approximately $15.3 million and approximately $9.7 million in the first nine months of 2006 and in fiscal 2005, respectively.

In connection with the Boeing Acquisition, Boeing also made payments to us totaling $30 million through June 2006 for Spirit s costs of transition to a newly formed enterprise. Since Spirit had no obligations under this arrangement, such amounts were recorded as consideration to be returned from Boeing. These payments were not discounted as they were realized within one year of closing.

In accordance with the Asset Purchase Agreement, in fiscal 2005, Boeing reimbursed Spirit approximately $19 million for the contractually determined working capital settlement.

Table of Contents

The fair value of the various assets acquired and liabilities assumed were determined by management. The fair value of the net assets acquired exceeded the total consideration for the acquisition by approximately $739.1 million. The excess (negative goodwill) was allocated on a pro rata basis to long-lived assets and resulted in the purchase allocation noted below:

Details of the purchase price allocation are as follows:

	Fair value June 16, 2005	Pro rata allocation of excess of fair value over cost	Book value, June 16, 2005
		(Dollars in millions)	
Cash	$ 1.3		$ 1.3
Accounts receivable	0.3		0.3
Inventories	479.2		479.2
Other current assets	0.3		0.3
Property, plant and equipment	902.3	$ (671.2)	231.1
Intangible assets	85.2	(67.9)	17.3
Other assets	6.8		6.8
Pension asset	101.2		101.2
Accounts payable and accrued liabilities	(130.2)		(130.2)
Pension and post-retirement liabilities	(35.0)		(35.0)
Net assets acquired	$ 1,411.4	$ (739.1)	$ 672.3

BAE Acquisition. We accounted for the BAE Acquisition as a purchase in accordance with the provisions of SFAS No. 141, *Business Combinations*, and recorded the assets acquired and liabilities assumed based upon the fair value of the consideration paid, which is summarized in the following table:

Cash payment to BAE Systems	$ 139.1
Direct costs of the acquisition	3.6
Working capital settlement	3.0
Total consideration	$ 145.7

Direct costs of the acquisition are estimated, and include professional fees paid to outside advisors for investment banking, legal, tax, due diligence, appraisal and valuation services. The above purchase price will be adjusted as direct costs of the acquisition are finalized.

Table of Contents

The fair value of the various assets acquired and liabilities assumed was determined by management based on valuations performed by an independent third party. The fair value of the net assets acquired exceeded the total consideration for the acquisition by approximately $22.4 million. The excess (negative goodwill) was allocated on a pro rata basis to long-lived assets and resulted in the preliminary purchase price allocation as follows:

	Fair Value April 1, 2006	Pro rata Allocation of Excess of Fair Value Over Cost	Book Value April 1, 2006
Cash	$ 0.3	$	$ 0.3
Accounts receivable	61.3		61.3
Inventories	45.7		45.7
Other current assets			
Property, plant and equipment	90.3	(15.4)	74.9
Intangible assets (customer relationships)	40.8	(7.0)	33.8
Currency hedge assets	11.1		11.1
Accounts payable and accrued liabilities	(57.8)		(57.8)
Pension liabilities	(19.1)		(19.1)
Warranty liabilities	(2.8)		(2.8)
Currency hedge liabilities	(1.7)		(1.7)
Net assets acquired	$ 168.1	$ (22.4)	$ 145.7

We expect to finalize the purchase price allocation for Spirit Europe prior to December 31, 2006 and do not expect significant adjustments to the preliminary allocation noted above.

New Accounting Standards

In May 2005, FASB issued SFAS No. 154, *Accounting Changes and Error Corrections a Replacement of APB Opinion No. 20 and FASB Statement No. 3*, effective for accounting changes and correction of errors made in fiscal years ending after December 15, 2005. SFAS No. 154 requires retrospective application of changes in accounting principles to prior period financial statements, unless it is impractical to determine the period-specific effects of the cumulative effect of the change. We do not expect the adoption of SFAS No. 154 to have a material impact on our consolidated financial statements.

In February 2006, FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments*, which amends SFAS No. 133 and SFAS No. 140, and improves the financial reporting of certain hybrid financial instruments by requiring more consistent accounting that eliminates exemptions and simplifies the accounting for those instruments. SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. We have not issued or acquired the hybrid instruments included in the scope of SFAS No. 155 and do not expect the adoption of SFAS No. 155 to have a material impact on our financial condition, results of operations or cash flows.

In March 2006, FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140*. SFAS No. 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. The statement permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. SFAS No. 156 is effective as of the beginning of

an entity s first fiscal year that begins after September 15, 2006. We do not expect the adoption of SFAS No. 156 to have a material impact on our financial condition, results of operations or cash flows.

In June 2006, FASB issued FASB Interpretation No. 48, or FIN 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109*, effective for fiscal years beginning after December 15, 2006. FIN 48 prescribes the minimum recognition threshold a tax position must meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is reviewing the effect of the adoption of FIN 48 and we have yet to determine the impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy as defined in the standard. Additionally, companies are required to provide enhanced disclosure regarding financial instruments in one of the categories (level 3), including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We believe that the adoption of SFAS No. 157 will not have a material impact on our consolidated financial statements.

On September 29, 2006, FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Post Retirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 123(R)*. The standard will require us to:

Recognize the funded status of our defined benefit plans in our consolidated financial statements.

Recognize as a component of other compensation income any actuarial gains and losses and prior service costs and credits that arise during the period but are not immediately recognized as components of net periodic benefit cost.

Measure defined benefit plan assets and obligations as of our fiscal year end.

Disclose in the notes to the financial statements additional information about certain effects on net periodic cost for the subsequent fiscal year that arise from delayed recognition of gains or losses, prior to service costs or credits, and transition asset or obligation.

The standard is effective for fiscal years ending after December 15, 2006. We are evaluating the impact to our liabilities for pension and post retirement benefits and other comprehensive income (loss).

Accounting Changes and Pronouncements

Following the Boeing Acquisition, we adopted a number of accounting policies, practices and conventions that differ from the Predecessor, including but not limited to the following:

change from discrete unit or block costing to the use of long-term contract accounting;

reclassification of certain costs from cost of sales to selling, general and administrative costs, or SG&A;

change from accelerated depreciation methods for most personal property to straight line depreciation methods for all property, plant and equipment;

implementation of accounting for new activities that were not performed by or otherwise recognized by the Predecessor; and

establishment of a lower dollar threshold for capitalization of internal use software.

Other than the above changes associated with the transition of Boeing Wichita to a stand alone business, there have been no significant changes in our critical accounting policies during the periods presented. Announced new SFAS or other pronouncements with effective dates subsequent to the periods presented are not expected to materially impact us.

Following the Boeing Acquisition, our first quarterly period ended on the last Thursday of September and our fiscal year on the last Thursday of December. Beginning in 2006, our fiscal year will end on December 31.

Results of Operations

The Predecessor s results were driven primarily by Boeing s commercial airplane demand and the resulting production volume. A shipset is a full set of components produced by us for one airplane, and may include fuselage components, wing systems and propulsion systems. For purposes of measuring production or deliveries for Boeing aircraft in a given period, the term shipset refers to sets of structural fuselage components produced or delivered in such period. For purposes of measuring production or deliveries for Airbus aircraft in a given period, the term shipset refers to sets of wing components produced or delivered in such period. Other components which are part of the same aircraft shipsets could be produced or shipped in earlier or later accounting periods than the components used to measure production or deliveries, which may result in slight variations in production or delivery quantities of the various shipset components in any given period.

In 2003, the Predecessor produced 255 shipsets, increasing to 270 in 2004 and a combined 308 for Spirit and the Predecessor for the entire year of 2005. Two hundred eighty-nine shipsets were delivered by Spirit in the first nine months of 2006, as compared with 237 units delivered by Spirit and the Predecessor in the nine months ended September 29, 2005.

Deliveries for the B737 increased from 169 shipsets in 2003 to 201 in 2004 and 233 in 2005. Two hundred twenty-five B737 shipsets were delivered during the first nine months of 2006, as compared to 177 for the nine months ended September 29, 2005. Deliveries for the B777 were relatively flat with 38 units delivered in 2003 and 37 in 2004, and then increased to 49 in 2005. Forty-six B777 shipsets were delivered in the first nine months of 2006, as compared to 38 for the nine months ended September 29, 2005. B747, B757 and B767 production remained at comparatively low levels during the same periods, with the B757 completing its production run in 2004.

The Predecessor s period-to-period cost of sales also reflects changes in model mix, incremental cost improvements, an increase in cost of material and a decrease in labor content as the increase in deliveries over such periods was led by the more material intensive B737 and B777 models. Period costs for 2003 were reduced by a significant one-time refund of state and local property and sales taxes, and returned to normal levels in 2004. Period costs include expenses such as SG&A and research and development that are charged directly to expense and not capitalized in inventory as a cost of production.

As a stand alone company, our cost of sales reflects a lower cost structure, reclassification of some costs of sales to SG&A and implementation of long term contract accounting. Our higher period costs for the post-Boeing Acquisition period of 2005 and the first nine months of 2006 as compared to those of the Predecessor for the prior periods reflect new functions required to establish a stand alone business, accounting reclassifications and nonrecurring transition costs of $35.8 million in 2005 and $21.5 million in the first nine months of 2006.

Table of Contents

The following table sets forth, for the periods indicated, certain of our operating data:

	Spirit Holdings			Predecessor		
	Nine Months Ended September 28, 2006	Period From February 7, 2005 Through September 29, 2005	Period From June 17, 2005 through December 29, 2005 (restated)	Period From January 1, 2005 through June 16, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
	(Dollars in millions)					
Net sales	$ 2,355.9	$ 650.2	$ 1,207.6	N/A	N/A	N/A
Cost of sales (Spirit Holdings)/cost of products transferred (Predecessor)	1,926.7	580.1	1,056.4	1,163.9	2,074.3	2,063.9
SG&A, R&D, other period costs(a)	245.1	98.9	219.0	90.7	173.2	144.3
Operating income (loss)	$ 184.1	$ (28.8)	$ (67.8)	N/A	N/A	N/A
Interest expense and financing fee amortization	(34.8)	(13.2)	(25.5)	N/A	N/A	N/A
Interest income	20.9	7.4	15.4	N/A	N/A	N/A
Other income, net	3.6	2.2	1.3	N/A	N/A	N/A
Provision for income taxes	(87.6)	(11.0)	(13.7)	N/A	N/A	N/A
Net income (loss)	$ 86.2	$ (43.4)	$ (90.3)	N/A	N/A	N/A

(a) Includes non-cash stock compensation expense of $41 million, $24 million, $35 million, $22 million, $23 million and $13 million respectively for the periods starting with the nine months ended September 28, 2006.

Pre-Boeing Acquisition Results are Not Comparable to Post-Boeing Acquisition Results

Spirit Holdings historical financial statements prior to the Boeing Acquisition are not comparable to its financial statements subsequent to June 16, 2005. Prior to the Boeing Acquisition, the Predecessor was a division of Boeing and was not a separate legal entity. Historically, the Predecessor functioned as an internal supplier of parts and assemblies to Boeing airplane programs and had insignificant sales to third parties. It operated as a cost center of Boeing, meaning that it recognized the cost of products manufactured for BCA programs but did not recognize any corresponding revenues for those products. No intra-company pricing was established for the parts and assemblies that the Predecessor supplied to Boeing.

On the closing date of the Boeing Acquisition, Spirit entered into exclusive supply agreements with Boeing pursuant to which Spirit began to supply parts and assemblies to Boeing at pricing established under those agreements, and began to operate as a stand alone entity with revenues and its own accounting records. In addition, prior to the Boeing Acquisition, certain costs were allocated to the Predecessor which were not necessarily representative of the costs the Predecessor would have incurred for the corresponding functions had it been a stand alone entity. At the time of the Boeing Acquisition significant cost savings were realized through labor savings, pension and other benefit savings, reduced corporate overhead and operational improvements. As a result of these substantial changes which occurred concurrently with the Boeing Acquisition, the Predecessor s historical financials pre-Boeing Acquisition are not comparable to Spirit Holdings financials post-Boeing Acquisition.

Table of Contents

Nine Months Ended September 28, 2006 as Compared to Seven and One-Half Months Ended September 29, 2005

	Nine Months Ended September 28, 2006	Seven and One-Half Months Ended September 29, 2005
	(Dollars in millions)	
Net revenues	$ 2,355.9	$ 650.2
Operating costs and expenses		
Cost of sales	1,926.7	580.1
Selling, general and administrative	160.0	63.1
Research and development	85.1	35.8
Total costs and expenses	2,171.8	679.0
Operating income (loss)	184.1	(28.8)
Interest expense and financing fee amortization	(34.8)	(13.2)
Interest income	20.9	7.4
Other income, net	3.6	2.2
Income (loss) from continuing operations before income taxes	173.8	(32.4)
Income tax provision	(87.6)	(11.0)
Net income (loss)	$ 86.2	$ (43.4)

Net Revenues. Net revenues for the nine months ended September 28, 2006 cannot be compared to net revenues for the seven and one-half months ended September 29, 2005 as the current year contains nine months of operations compared to three and one-half months of operations for the comparable period of 2005 due to the fact that the operations of Spirit as a standalone entity did not commence until June 17, 2005. The 2006 amounts also include the results of Spirit Europe beginning April 1, 2006, the date we acquired Spirit Europe. Spirit delivered 289 shipsets to Boeing during the first nine months of 2006, as compared with 84 shipsets delivered during the seven and one-half months ended September 29, 2005. As discussed above under the heading Recent Events, the strike experienced by Boeing from September 2, 2005 through September 29, 2005 impacted delivery rates during the last six months of 2005 and the first quarter of 2006. Revenues attributable to Airbus, through Spirit Europe, were approximately 7% of our total revenues for the nine months ended September 28, 2006. We expect sales of shipsets to Airbus to be approximately 10% of total revenue on an annual basis. Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 50%, 28%, 21% and 1% respectively, of our net sales for the nine months ended September 28, 2006. Revenues attributable to Airbus are recorded within Wing Systems. We expect that the value of Airbus deliveries will account for approximately 50% of Wing Systems revenues annually.

The following table shows segment information for the nine months ended September 28, 2006 as compared to seven and one-half months ended September 29, 2005:

	Nine Months Ended	Seven and One-Half Months Ended

	September 28, 2006(1)		September 29, 2005(2)	
	(Dollars in millions)			
Segment Revenues				
Fuselage Systems	$	1,174.1	$	349.8
Propulsion Systems		668.8		202.2
Wing Systems		491.3		85.0
All Other		21.7		13.2
Total	$	2,355.9	$	650.2

(1) Revenues for Wing Systems include Spirit Europe after April 1, 2006, the date we acquired BAE Aerostructures.

(2) Includes only three and one-half months of operations and excludes Spirit Europe.

Comparative shipset deliveries by model are as follows:

Model	Spirit Holdings Nine Months Ended September 28, 2006(1)	Spirit Holdings Seven and One-Half Months Ended September 29, 2005(2)	Predecessor Five and One-Half Months Ended June 16, 2005
B737	225	63	114
B747	9	5	8
B767	9	3	6
B777	46	13	25
Total Boeing	289	84	153
A320	155		
A330/340	50		
A380	5		
Raytheon Hawker 800XP	27		
Total Spirit	526	84	153

(1) Deliveries of the Airbus and Raytheon products began on April 1, 2006 with the acquisition of BAE Aerostructures.

(2) Spirit commenced operations on June 17, 2005.

Cost of Sales. Cost of sales for 2006 cannot be compared to cost of sales for 2005 as the current period contains nine months of operations compared to three and one-half months of operations for the comparable period of 2005. Cost of sales for 2006 also includes the results of Spirit Europe beginning April 1, 2006, the date we acquired Spirit Europe. Cost of sales as a percentage of net revenues was 82% and 89% for the first nine months of 2006 and the seven and one-half months of 2005, respectively. The results for the first nine months of 2006 contained a favorable cumulative catch up adjustment of approximately $46 million, resulting from revised contract accounting estimates, primarily with respect to lower fringe benefit costs and adjustments to reduce depreciation and amortization expense as a result of the final pension asset transfer from Boeing. The amount of the cumulative catch up adjustment described above that was related to the final pension asset transfer in the second quarter of 2006 was approximately $21 million.

SG&A, Research and Development and Other Period Costs. SG&A, research and development and other period costs for 2006 cannot be compared to 2005 because the current period contains nine months of operations compared to three and one-half months of operations for the comparable period of 2005. Expenses for 2006 also included Spirit Europe beginning April 1, 2006, the date we acquired Spirit Europe. SG&A, research and development as a percentage of net revenues was 10% and 15% for the first nine months of 2006 and the seven and one-half months of

2005, respectively. This reduction in percentage of net revenues between periods was driven by decreasing transition expenses as we near completion of the transition from Boeing to Spirit and decreasing research and development spending on the B787 program as production nears. This decrease was also partially attributable to the stock compensation charge incurred in 2005 related to the revision of fair values assigned to stock purchases and grants made in that year. This caused stock compensation expense to increase to $24.2 million in the 2005 period.

Operating Income. Operating income for 2006 cannot be compared to Operating income for 2005 as the 2006 period contains nine months of operations compared to three and one-half months of operations for the comparable period of 2005. Operating income for 2006 also includes Spirit Europe results beginning April 1, 2006, the date we acquired Spirit Europe. Operating income for the nine months ended September 28, 2006 included the favorable effect of the cumulative catch up adjustment discussed above and $40.8 million of stock compensation expense. Operating income of $184.1 million (after unallocated corporate expenses of $158.5 million) for the nine month period of 2006 included $68.3 million of B787 research and development costs and $21.5 million of non-recurring transition costs related to the Boeing Acquisition. Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approxi-

mately 61%, 29%, 9% and 1%, respectively, of our operating income before unallocated corporate expenses for the nine months ended September 28, 2006. Operating income (before unallocated corporate expenses of $158.5 million) as a percentage of sales was 18%, 15%, 6% and 15%, respectively, for Fuselage Systems, Propulsion Systems, Wing Systems and All Other for the first nine months of 2006.

The following table shows segment information for the nine month period ended September 28, 2006 as compared to seven and one-half months ended September 29, 2005:

	Nine Months Ended September 28, 2006(1)	Seven and One-Half Months Ended September 29, 2005(2)
	(Dollars in millions)	
Segment Operating Income		
Fuselage Systems	$ 208.3	$ 12.0
Propulsion Systems	100.4	12.8
Wing Systems	30.6	12.5
All Other	3.3	(2.9)
Total Segment Operating Income	342.6	34.4
Unallocated Corporate Expenses	(158.5)	(63.2)
Operating Income	$ 184.1	$ (28.8)

(1) Operating income for Wing Systems includes Spirit Europe after April 1, 2006, the date we acquired BAE Aerostructures.

(2) Includes only three and one-half months of operations and excludes Spirit Europe.

Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for 2006 cannot be compared to Interest expense and financing fee amortization for 2005 as the current period contains nine months of expenses and amortization compared to three and one-half months of expenses and amortization for the comparable period of 2005. Interest expense and financing fee amortization for the nine months ended September 28, 2006 included primarily interest and fees paid or accrued in connection with long-term debt and $3.3 million in amortization of deferred financing costs.

Interest Income. Interest income for 2006 cannot be compared to interest income for 2005 as the current period contains nine months of interest income compared to three and one-half months of interest income for the comparable period of 2005. Interest income for the nine months ended September 28, 2006, consisted of $15.3 million of accretion of the discounted long-term receivable from Boeing for capital expense reimbursement pursuant to the Asset Purchase Agreement and $5.6 million in interest income.

Provision for Income Tax. Provision for income tax for 2006 cannot be compared to provision for income tax for 2005 as the current period contains nine months of operations compared to the three and one-half months of operations for the comparable period of 2005. The income tax provision for the nine months ended September 28, 2006, consisted of $87.1 million for federal income taxes and $0.5 million for state taxes. During the nine month period ended September 28, 2006, upon weighing available positive and negative evidence, we have maintained the valuation allowance established against 100% of our net deferred tax asset as it was, at that time, considered more likely than not that we would not have the ability to realize these assets as we have not completed a full fiscal year of generating pre-tax income. This affected our tax provision by deferring tax benefits until such time as management

determines under SFAS No. 109 that we have a sufficient earnings history, among other factors, to recognize those benefits. Management reviews the need for a valuation allowance on a quarterly basis. If we continue to create and build on our positive earnings history, we anticipate releasing approximately $80 million of the valuation allowance, of which approximately $74 million will be a credit to the income tax provision in the fourth quarter of 2006.

Table of Contents

Year Ended December 29, 2005 as Compared to Year Ended December 31, 2004

Since the Boeing Acquisition occurred in the middle of 2005, financial results for the full calendar year 2005 and a comparison of these results with any prior period would not be meaningful.

Product Deliveries. Spirit and the Predecessor delivered 308 shipsets during 2005, as compared with 270 shipsets delivered by the Predecessor in 2004, reflecting Boeing s increased production rates.

Comparative shipset deliveries by model are as follows:

Model	Combined Period From January 1, 2005 to December 29, 2005	Predecessor Period From January 1, 2004 to December 31, 2004
B737	233	201
B747	15	13
B757	0	9
B767	11	10
B777	49	37
Total	308	270

The most significant volume increases were on the B737 and B777 models. The B737 is less costly to produce and also generates lower revenues per shipset than the other Boeing models for which we provide parts. Boeing ended production of the B757 in 2004.

Period from June 17, 2005 through December 29, 2005

For the reasons discussed above, the Predecessor s historical financial statements for the periods prior to the Boeing Acquisition are not comparable to Spirit Holdings financial statements for periods subsequent to the Boeing Acquisition, so a comparison of financial results for the period from June 17, 2005 through December 29, 2005 with those of any prior period would not be particularly meaningful. Accordingly, we describe the results of operations for such period below without comparison to any prior period.

Net Sales. Spirit Holdings $1,207.6 million of net sales in the period from June 17, 2005 through December 29, 2005 were driven primarily by sales of shipsets for Boeing aircraft. During this period, Spirit delivered 155 airplane units (expressed in terms of shipsets). Revenues and deliveries were negatively impacted for this period as a result of the Boeing strike which lasted 28 days. Although Boeing continued to make payment for ship-in-place units completed during the Boeing strike, and revenues were recorded on such units consistent with contractual terms, strike-driven changes to Boeing s production schedule reduced Spirit s revenue by an estimated $172 million for the six and one-half months ended December 29, 2005. Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 53%, 31%, 14% and 2%, respectively, of our net sales for the period.

The following table shows segment information for the period ending December 29, 2005:

	(Dollars in millions) (restated)
Segment Revenues	
Fuselage Systems	$ 637.7

Propulsion Systems		372.2
Wing Systems		170.0
All Other		27.7
Total	$	1,207.6

Shipset deliveries by model are as follows:

Model	Spirit Holdings Period From June 17, 2005 through December 29, 2005
B737	119
B747	7
B767	5
B777	24
Total	155

Cost of Sales. Spirit Holdings total cost of sales for the period from June 17, 2005 through December 29, 2005 was $1,056.4 million, which includes costs related to labor, material and allocable indirect costs, as well as Spirit Holdings previously described stand alone cost structure and effects of Spirit Holdings previously described accounting policy for revenue and profit recognition.

SG&A. Spirit s $140.7 million of SG&A included $100.6 million in recurring costs of finance, sales and marketing, human resources, legal and other SG&A functions, plus $35.8 million in nonrecurring costs to establish stand alone human resources and other functions, recruit key executive personnel and transition computing systems from Boeing or to segregate Spirit and Boeing applications. The $100.6 million in recurring costs include $34.7 million in non-cash stock compensation expense which represents the difference between the fair value of stock purchased by employees and the price paid by employees for the stock, and the vested portion of the fair value of restricted stock grants to employees and others pursuant to Spirit s stock compensation plans or other agreements. The amounts above include the reclassification to SG&A of certain costs that were inventoried by the Predecessor, and the elimination of cost allocations made previously to the Predecessor by its parent for SG&A support.

Research and Development. Spirit s $78.3 million in research and development consisted primarily of $75.7 million incurred on the B787 program. The predecessor s research and development was for internal manufacturing process development, most of which related to the B787 program.

Interest Expense and Financing Fee Amortization. Spirit s $25.5 million in interest expense and financing fee amortization consisted primarily of $22.4 million in interest and fees paid or accrued in connection with long-term debt and $2.6 million in amortization of deferred financing costs. Since the Predecessor s parent handled all financing activities, no significant interest expense and financing fee amortization was recorded by the Predecessor.

Interest Income. Spirit s interest income consisted primarily of $9.7 million in accretion of the discounted long-term receivable from Boeing for capital expense reimbursement pursuant to the Asset Purchase Agreement and $5.7 million in interest income. Since the Predecessor s parent handled all financing activities, no significant interest income was recorded by the Predecessor.

Provision for income taxes. The $13.7 million income tax provision consisted of $14.0 million for federal taxes and $(0.3) million for state taxes. Since the Predecessor s parent filed a consolidated tax return for the entire parent company with no income specifically identifiable to the Predecessor, no income tax provision was recorded by the Predecessor. During the period from inception through December 29, 2005, upon weighing available positive and negative evidence, including the fact that Spirit Holdings was a new legal entity that had no earnings history, we established a valuation allowance against 100% of our net deferred tax assets as it was, at that time, considered more likely than not that we would not have the ability to realize these assets. This affected our tax provision by deferring tax benefits until such time as management determines under SFAS No. 109 that we have a sufficient earnings history,

among other factors, to recognize these benefits.

Operating Income (Loss). The operating loss of $67.8 million (after unallocated corporate expenses of $139.9 million) for the period included $75.7 million of B787 research and development costs and

Table of Contents

$35.8 million of non-recurring transition costs related to the Boeing Acquisition. Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 61%, 34%, 7% and (2)%, respectively, of our operating income before unallocated corporate expenses for the period. Operating income (before unallocated corporate expenses of $139.9 million) as a percentage of sales was 7%, 7%, 3% and (5)%, respectively, for Fuselage Systems, Propulsion Systems, Wing Systems and All Other.

The following table shows segment information for the period ending December 29, 2005:

	(Dollars in millions) (restated)
Segment Operating Income (loss)	
Fuselage Systems	$ 43.7
Propulsion Systems	24.5
Wing Systems	5.1
All Other	(1.2)
Total segment operating income	$ 72.1
Unallocated corporate expenses	(139.9)
Operating loss	$ (67.8)

Period from January 1, 2005 through June 16, 2005 as Compared to Year Ended December 31, 2004

	Predecessor	
	Period From January 1, 2005 through June 16, 2005	Year Ended December 31, 2004
	(Dollars in millions)	
Cost of products transferred	$1,163.9	$2,074.3
SG&A, R&D, other period costs	$ 90.7	$ 173.2
SG&A, R&D, other period costs as a percentage of cost of products transferred	7.8%	8.3%

Cost of Products Transferred. The Predecessor s cost of products transferred decreased significantly from 2004 to 2005 driven by the fact that the Predecessor ceased operating as the Predecessor five and one-half months through 2005 and began operating as Spirit at the time of the Boeing Acquisition. As a result, the Predecessor delivered significantly fewer units in 2005 as compared to 2004. On a per unit basis, the cost of products transferred was relatively unchanged for the five and one-half month period ended June 16, 2005 as compared to the year ended December 31, 2004, reflecting similar product mix and cost structures in both periods.

SG&A, Research and Development and Other Period Costs. The Predecessor s SG&A, research and development and other period costs decreased significantly from 2004 to 2005 driven by the fact that the Predecessor ceased operating as the Predecessor five and one-half months through 2005 and began operating as Spirit at the time of the Boeing Acquisition.

Year Ended December 31, 2004 as Compared to Year Ended December 31, 2003

	Predecessor	
	Year Ended December 31, 2004	Year Ended December 31, 2003
	(Dollars in millions)	
Cost of products transferred	$2,074.3	$2,063.9
SG&A, R&D, other period costs	$ 173.2	$ 144.3

66

Cost of Products Transferred. The Predecessor s nominal increase in its cost of products transferred from 2003 to 2004 was driven primarily by increased volume, offset by the impact of cost improvement initiatives and by changes in model mix, as volume increased on the lower cost B737 and decreased on other higher cost platforms. The Predecessor delivered 270 airplane units (expressed in terms of shipsets) during 2004, as compared with 255 in 2003. Comparative shipset deliveries by model are as follows:

	Predecessor	
Model	**Period From January 1, 2004 to December 31, 2004**	**Period From January 1, 2003 to December 31, 2003**
B737	201	169
B747	13	18
B757	9	14
B767	10	16
B777	37	38
Total	270	255

SG&A, Research and Development and Other Period Costs. The increase of SG&A, research and development and other period costs for 2004 over 2003 reflects increased 2004 corporate allocations related to employee share based compensation plans, increased 2004 BCA allocations related to higher commercial general and administrative expenses, and refunds of and reversals of Kansas tax accruals in 2003 due to a favorable tax audit outcome.

Liquidity and Capital Resources

Liquidity, or access to cash, is an important factor in determining our financial stability. The primary sources of our liquidity include cash flow from operations, borrowing capacity through our credit facilities and advance payments and receivables from Boeing. Our liquidity requirements and working capital needs depend on a number of factors, including delivery rates under our contracts, the level of research and development expenditures related to new programs (including the B787 program as discussed below), capital expenditures, growth and contractions in the business cycle, contributions to our union-sponsored plans and interest and debt payments.

We expect that our working capital requirements will increase significantly over the next two years as the B787 program progresses toward FAA certification and we build inventory in support of the program. Under our arrangement with Boeing, we will not receive payment for B787 shipsets delivered to Boeing prior to FAA certification. We anticipate that this will lead to a short-term increase in our accounts receivable balances as we expect to deliver shipsets beginning in mid-2007, but do not expect Boeing to receive FAA certification of the B787 until mid-2008. Accounts receivable balances associated with the B787 program will return to normal levels after FAA certification is received. In the aggregate, we expect total working capital for the B787 program, including the net of production inventory, engineering costs capitalized into inventory, accounts receivable and accounts payable, to increase by $850 million to $950 million between September 28, 2006 and mid-2008 when the B787 is expected to achieve FAA certification. We believe we can finance this increase from our cash flow from operations and existing financing sources.

Upon the consummation of this offering, based on an assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of this prospectus, the eligible participants under our Union Equity Participation Plan will be entitled to receive a total of approximately $270.2 million pursuant to such plan. We currently anticipate

paying approximately 44.5% of such amount in shares of class A common stock through the issuance of approximately 5,006,829 shares, which we expect to issue on or prior to March 15, 2007. The remainder will be paid in cash, with approximately $129 million from the proceeds of this offering and the remaining $21 million from available cash.

Our ability to make scheduled payments of principal of, or to pay the interest on, or to refinance, our indebtedness, or to fund non-acquisition related capital expenditures and research and development efforts, will depend on our ability to generate cash in the future. This is subject, in part, to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based on our current levels of operations and absent any disruptive events, management believes that internally generated funds, advance payments and receivables from Boeing described below, and borrowings available under our revolving loan facility should provide sufficient resources to finance our operations, non-acquisition related capital expenditures, research and development efforts and long-term indebtedness obligations through at least fiscal year 2007. We cannot assure you, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our credit facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. If we cannot generate sufficient cash flow, we may need to refinance all or a portion of our indebtedness on or before maturity. Also, to the extent we accelerate our growth plans, consummate acquisitions or have lower than anticipated sales or increases in expenses, we may also need to raise additional capital. In particular, increased working capital needs occur whenever we consummate acquisitions or experience strong incremental demand for our products. We cannot assure you that we will be able to raise additional capital on commercially reasonable terms or at all.

We may pursue strategic acquisitions on an opportunistic basis. Our acquisition strategy may require substantial capital, and we may not be able to raise any necessary funds on acceptable terms or at all. If we incur additional debt to finance acquisitions, our total interest expense will increase.

We currently have manufacturing capacity to produce shipsets at the rates we have committed to our customers. Our capacity utilization on the products we produced prior to the Boeing Acquisition averages about 60%, while our capacity utilization on the fuselages for the B737 and B777 are at close to 95% at our current production rates. These capacity utilization rates are based on five days per week, three shifts per day operations. Significant capital expenditures may be required if our customers request that we increase production rates for an extended period of time. Our supply agreements typically have maximum production rates. If a customer requests that we increase production rates above these stated maximum levels, additional negotiation would be required to determine whether we or our customer would bear the cost of any capital expenditures, tooling and nonrecurring engineering required as a result of such production rate increase.

Cash. At September 28, 2006 and December 29, 2005 we had cash and cash equivalents of $189.0 million and $241.3 million, respectively. On April 1, 2006, we used approximately $145.7 million of cash to pay the purchase price for the BAE Acquisition. Prior to the Boeing Acquisition, the Predecessor was part of Boeing s cash management system, and consequently, had no separate cash balance. Therefore, at December 31, 2004 and December 31, 2003, the Predecessor had negligible cash on the balance sheet.

Credit Facilities. In connection with the Boeing Acquisition, Spirit and certain of its affiliates entered into $875 million Senior Secured Credit Facilities with the Citicorp North America, Inc. and a syndicate of other lenders, consisting of a six and one-half year $700 million Term Loan B and a five year $175 million Revolver. The Term Loan B is repayable in quarterly installments of 1% of the aggregate principal amount thereof for the first five and one-half years, with the remaining balance due in the final year, and was used to pay a portion of the consideration for the Boeing Acquisition and certain fees and expenses incurred in connection therewith and for working capital. We intend to use approximately $100 million of this offering to prepay the Term Loan B. The Revolver is available for general corporate purposes of Spirit and its subsidiaries, and contains a letter of credit subfacility. We have a conditional right under the Senior Secured Credit Facilities to request new or existing lenders to provide commitments to increase the Revolver by an aggregate of $75 million. As of September 28, 2006, approximately $693 million was outstanding under the Term Loan B, no amounts had been borrowed under the Revolver and $0.3 million of letters of credit were outstanding.

Borrowings under the Senior Secured Credit Facilities bear interest at a rate equal to the sum of LIBOR plus the applicable margin (as defined below) or, at our option, the alternate base rate, which will

be the highest of (x) the Citicorp North America, Inc. prime rate, (y) the certificate of deposit rate, plus 0.50% and (z) the federal funds rate plus 0.50%, plus the applicable margin. The applicable margin with respect to the Term Loan B is 2.25% per annum in the case of such portion of the Term Loan B that bears interest at LIBOR and 1.25% in the case of such portion of the Term Loan B that bears interest at the alternate base rate. The applicable margin with respect to borrowings under the Revolver is determined in accordance with a performance grid based on our total leverage ratio and ranges from 2.75% to 2.25% per annum in the case of LIBOR advances and from 1.75% to 1.25% per annum in the case of alternate base rate advances. We are also obligated to pay a commitment fee of 0.50% per annum on the unused portion of the revolver. See Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risks.

The obligations under the Senior Secured Credit Facilities are guaranteed by Spirit Holdings, Spirit AeroSystems Finance, Inc., each of Spirit s direct and indirect domestic subsidiaries (other than non-wholly-owned domestic subsidiaries that are prohibited from providing such guarantees), Spirit (with respect to the Term Loan B only) and the subsidiaries of Onex Wind Finance LP, or Onex Wind, an indirect wholly-owned subsidiary of Onex Corporation. All obligations under the new senior secured credit facility and the guarantees are secured by a first priority security interest in (1) all of the capital stock of Spirit Holdings direct and indirect domestic subsidiaries and 65% of the voting stock and 100% of the non-voting stock of its foreign subsidiaries, (2) all of the equity interests of Onex Wind s subsidiaries and (3) substantially all of Spirit Holdings , Onex Wind s and the guarantors other assets and properties.

The Senior Secured Credit Facilities contain customary affirmative and negative covenants, including restrictions on our ability to incur additional indebtedness, create liens on our assets, engage in transactions with affiliates, make investments, pay dividends, redeem stock and engage in mergers, consolidations and sales of assets. The Senior Secured Credit Facilities also contain financial covenants consisting of a minimum interest expense coverage ratio, a maximum capital expenditure amount and a maximum total leverage ratio. We were in compliance with all such covenants as of September 28, 2006.

In connection with this offering, the Senior Secured Credit Facilities are being amended to, among other things, (1) eliminate the structure whereby Spirit borrows from an indirect subsidiary of Onex Wind and reflect the release of Onex Wind and its subsidiaries from all of their obligations under the senior secured credit facility upon the assumption of the same by Spirit, (2) refinance the existing term loans under the Senior Secured Credit Facilities on substantially similar terms, with certain changes including a reduction in the applicable interest margin and an extension of the final maturity date to September 30, 2013, (3) increase the amount of the revolving commitments under the senior secured credit facility from $175 million to $400 million, (4) replace the existing financial covenants with a covenant limiting the maximum total secured leverage ratio of Spirit and its subsidiaries on a consolidated basis, and (5) remove the mandatory prepayment requirements with respect to proceeds of equity issuances.

In connection with the Boeing Acquisition, Spirit and certain of its affiliates also entered into a $150 million subordinated delayed draw credit facility with Boeing. We may borrow under this credit facility until December 31, 2008, and any such borrowings will mature in June 2013. No amounts were borrowed under this credit facility as of September 28, 2006. We intend to seek consent from our senior lenders to terminate this credit facility upon completion of this offering.

Investment in B787 Program. We have received and, over the next several years, will receive cash from Boeing to fund development in connection with the B787 program, capital expenditures in connection with our other Boeing production work and stand alone transition costs. We expect to invest approximately $859 million on the B787 program for research and development, capitalized pre-production costs and capital expenditures, of which approximately $510 million had been spent as of September 28, 2006.

The B787 Supply Agreement requires Boeing to make advance payments to us for production articles in the aggregate amount of $700 million. As of October 31, 2006, $500 million had been received by us, and an additional $100 million will be advanced to us in each of the remainder of 2006 and 2007. We must repay these advances, without interest, in the amount of a $1.4 million offset against the purchase price of each of the first five hundred B787 shipsets delivered to Boeing. In the event that Boeing does not

take delivery of five hundred B787 shipsets, any advances not then repaid will first be applied against any outstanding B787 payments then due by Boeing to us, with any remaining balance repaid at the rate of $84 million per year beginning the month following our final delivery of a B787 production shipset to Boeing.

Receivables from Boeing. Boeing is required to make future payments to us in amounts of $45.5 million, $116.1 million and $115.4 million in 2007, 2008 and 2009, respectively, in payment for various tooling and capital assets built or purchased by us, although we will retain usage rights and custody of these assets for their remaining useful lives without compensation to Boeing. Boeing also contributed $30 million to us to partially offset our costs to transition to a stand alone company.

We accrued revenue for volume-based price increases retroactive to June 17, 2005, which we were contractually entitled to collect after June 1, 2006. Our supply agreement with Boeing provides for prices to be established based on planned production volumes for each period beginning June 1 through May 31, with higher prices at lower volumes and lower prices at higher volumes. These pre-established prices are the basis for billing and payment for the entire year regardless of actual volume, with any differences settled after the yearly period has ended. The Boeing strike reduced volume for 2005 and the first part of 2006 below planned levels, resulting in higher average prices than had been established. Since we were contractually entitled to payment at the higher prices after the end of the first pricing year (approximately June 2006), we accrued revenue for these volume-based price increases retroactive to June 17, 2005. We collected this amount in August 2006.

Tax Incentive Bonds. Both Spirit and the Predecessor utilized IRBs issued by the City of Wichita to finance the purchase and/or construction of real and personal property at the Wichita site. Tax benefits associated with IRBs include a provision for a ten-year property tax abatement and a sales tax exemption from the Kansas Department of Revenue. Spirit and the Predecessor, being both holders of the bonds and debtors thereunder, offset the amounts on a consolidating basis. Each of Spirit and the Predecessor also purchased the IRBs and therefore is the bondholder as well as the borrower/lessee of the property purchased with the IRB proceeds. The City of Wichita owns the property purchased with the IRBs and leases it to Spirit (with respect to the bonds issued in 2005) and to the Predecessor (with respect to the bonds issued in 1996 through 2004). Upon maturity or redemption of the bonds, title to the leased property reverts to the lessee. The bonds issued in December 2005 mature in 2016 and the bonds issued in 1996 through 2004 mature 25 years following issuance.

Certain personal property assets of Boeing Wichita that were subject to IRBs owned by Boeing prior to the Boeing Acquisition continue to be subject to those IRBs. In connection with the Boeing Acquisition, Boeing assigned its leasehold interest in these assets and the related bonds to a special purpose trust beneficially owned by Boeing, which subleases these assets to Spirit. Pursuant to the terms of the sublease, as these assets cease to qualify for the ten-year property tax abatement, the special purpose trust will purchase the assets from the city of Wichita, terminate the related leases, redeem the related bonds and transfer the assets to Spirit.

The principal amount of the portion of the bonds subleased from the special purpose trust is approximately $714 million. The IRBs obtained by Spirit in 2005 have an aggregate amount of $80 million.

We entered into an incentive agreement with the Kansas Department of Commerce, pursuant to which the Kansas Development Finance Authority will finance an eligible project by entering into a debt structure with us consisting of a loan and the issuance of bonds. The purpose of the program is to provide incentives to us to invest in the State of Kansas. In return, we receive a tax benefit in the form of a rebate of certain payroll taxes from the Kansas Department of Revenue. Pursuant to offset provisions in the debt instruments, there is no cash payment of principal or interest upon payment or in respect of the bonds, other than the tax benefit to us and the costs of issuance. We offset the amount owed by us, as debtor, to Spirit AeroSystems Finance, Inc., as bondholder, on a consolidated basis. The instruments are in the amount of $80 million and expire in December 2025.

Open Infrastructure Offering (OIO). On September 29, 2005, we entered into a five-year agreement with International Business Machines Corporation, or IBM, and IBM Credit, LLC, or IBM Credit. This

agreement includes the financing of the purchase of software licenses with a value of $26.2 million payable in monthly payments of $0.6 million for 48 months with an interest rate of 7.8%. On July 18, 2006 this initial loan was refinanced. This refinancing agreement increased the monthly payment from $0.6 to $1.0 million and reduced the number of payments by 15 months. During the third quarter of 2006 additional software was purchased totaling $7.9 million and was financed with IBM Credit. These additional loans have a combined monthly payment of $0.4 million and are for terms of 24 and 36 months with effective interest rates of 3.7% and 4.8%, respectively. Under the terms of the OIO Agreement, we would be in default if our credit rating with Standard and Poor s for secured debt falls below BB-, which is our debt rating as of the date of this prospectus. In the event that IBM or IBM Credit determines that we are in default under the OIO Agreement, we would be required to pay IBM any previously unpaid monthly payments under the agreement and pay IBM Credit a settlement charge. Additionally, if we do not make the required payments to IBM or IBM Credit, as applicable, we could be required to cease using and surrender all licensed program materials financed by IBM Credit and destroy our copies of such program materials. IBM has a security interest in any equipment acquired through the lease agreement included in the OIO. As of September 28, 2006, we had debt related to OIO of $29.5 million.

Cash Flow

The Predecessor s cash was provided by and managed at the Boeing corporate level and, consequently, the Predecessor had no separate cash balance. While certain cash flow information is included in a note to the Predecessor s historical financial statements, such information is estimated using a change in net working capital approach. The Predecessor did not have any significant cash inflows, and therefore the Predecessor s cash flows are not comparable to Spirit s cash flows as a stand alone entity following the Boeing Acquisition. The Predecessor s cash flows from operating activities are largely based on cost of products transferred and period costs and the Predecessor s cash flows from investing activities are equivalent to capital expenditures.

Nine Months Ended September 28, 2006

Operating Activities. Spirit had a net cash inflow of $325.7 million in the first nine months of 2006 related to operations. This was primarily due to receipt of a $300 million advance payment from Boeing on the B787 program, earnings of $86.2 million, depreciation and amortization of $30.3 million and a $142.0 million increase in accounts payable (primarily as a result of increases in inventory resulting from higher production rates), partially offset by a $63.2 million increase in accounts receivable and $171.5 million in inventory growth as a result of higher production rates and build-up of inventory for the B787 contract.

Investing Activities. In the first nine months of 2006, we invested $233.4 million in property, plant and equipment, software and program tooling, most of which was related to capital investments in preparation of the start of B787 production. We also invested $145.4 million in the acquisition of BAE Systems aerostructures business (net of cash acquired).

Financing Activities. We had minimal cash flow from financing activities in the first nine months of 2006 consisting primarily of $10.2 million in payments on debt partially offset by $1.1 million in executive stock investments.

Period from June 17, 2005 through December 29, 2005

Operating Activities. Spirit had cash flows related to operating activities of $223.8 million in the six and one-half months ended December 29, 2005. This was primarily due to the receipt of $200.0 million in advance payments from Boeing related to the B787 program, an increase of $91.5 million in accounts payable driven by a combination of increased production rates, higher research and development expenses and higher capital expenditures, offset by the operating loss, an increase of $88.4 million in accounts receivable and an increase of $31.4 million in inventory. The increase in accounts receivable was a result of Spirit commencing external sales under contractual payment terms. The increase in inventory reflects unbilled product development activity on certain Boeing derivative models and the residual impact of lower production rates during the Boeing strike.

Investing Activities. In the six and one-half months ended December 29, 2005, we had cash outflows of $1,030.3 million related to investing activities. This reflects a cash payment of $885.7 million paid in connection with the Boeing Acquisition and investment of $144.6 million in property, plant and equipment, software and program tooling. The investment in property, plant and equipment was primarily related to capital investments in preparation of the start of B787 production.

Financing Activities. We had cash flow from financing activities of $1,047.8 million in the six and one-half months ended December 29, 2005. This cash flow was primarily driven by the issuance of $700.0 million in long term debt in connection with the Boeing Acquisition and the equity investment of $370.0 million in connection with the Boeing Acquisition.

Contractual Obligations

The following table summarizes our contractual cash obligations as of December 29, 2005:

Contractual Obligations	2006	2007	2008	2009	2010	2011	2012 and After	Total
				(Dollars in millions)				
Principal Payment on Term Loan B(1)	$ 7.0	$ 7.0	$ 7.0	$ 7.0	$ 7.0	$ 661.5	$	$ 696.5
Non-Cancelable Operating Lease Payments(2)	2.3	2.3	2.3	1.2	1.2	0.6		9.9
Non-Cancelable Capital Lease Payments(3)	6.3	6.4	6.9	5.5				25.1
Interest on Debt(4)	45.1	44.7	44.2	43.7	43.3	21.5		242.5
Purchase Obligations(5)	63.0	10.8						73.8
Other Contractual Obligations(6)	2.0	2.5	3.0	3.0	3.0	3.0	4.5	21.0
Total	$ 125.7	$ 73.7	$ 63.4	$ 60.4	$ 54.5	$ 686.6	$ 4.5	$ 1,068.8

(1) Does not include repayment of B787 advances to Boeing, which is reflected in our balance sheet as a long-term liability.

(2) Reflects our renewal of a building lease on July 1, 2006 for five years.

(3) Treats the financing of software license purchases as a capital lease.

(4) Interest on our debt was calculated for all years using the effective rate as of December 29, 2005 of 6.51%.

(5) Purchase obligations represent property, plant and equipment commitments at December 29, 2005. Although we also have significant other purchase obligations, most commonly in the form of purchase orders, the timing of these purchases is often variable rather than specific and the payments made by our customers in accordance with our long-term contracts, including advance payments, substantially reimburse the payments due. Accordingly, these obligations are not included in the table.

(6) Represents service fees payable to Onex Partners Manager, L.P., a wholly-owned subsidiary of Onex, or Onex Manager, pursuant to an agreement which we expect will terminate upon consummation of this offering for a cost

of $4 million.

A Transition Services Agreement, or TSA, with Boeing is excluded from Contractual Obligations shown above because it may be terminated by Spirit with 30 days advance notice. The TSA covers services to be supplied to Spirit by Boeing during a transition period ending in 2007. The services supplied by Boeing include computer systems and services, certain financial transaction processing operations, and certain non-production operations. Spirit pays Boeing approximately $3 million per month for services under the TSA.

The following table summarizes our long-term debt obligations as of September 28, 2006, after giving pro forma effect to the offering:

Contractual Obligations	2006	2007	2008	2009	2010	2011	2012 and After	Total
				(Dollars in millions)				
Principal Payment on Term Loan B	$ 2.4	$ 5.9	$ 5.9	$ 5.9	$ 5.9	$ 5.9	$ 561.1	$ 593.0

Table of Contents

Our primary future cash needs will consist of working capital, debt service, research and development and capital expenditures. We expend significant capital on research and development during the start up phase of new programs, to develop new technologies for next generation aircraft and to improve the manufacturing processes of aircraft already in production. Research and development expenditures totaled approximately $85 million and approximately $36 million for the nine months ended September 28, 2006 and the seven and one-half months ended September 29, 2005, respectively, approximately $78 million for the period from June 17, 2005 through December 29, 2005, and approximately $18 million and approximately $17 million for the years ended December 31, 2004 and 2003, respectively. We incur capital expenditures for the purpose of maintaining production capacity through replacement of existing equipment and facilities and, from time to time, for facility expansion. Capital expenditures totaled approximately $233 million and approximately $55 million for the nine months ended September 28, 2006 and the seven and one-half months ended September 29, 2005, respectively, approximately $145 million for the period from June 17, 2005 through December 29, 2005, and approximately $54 million and approximately $43 million for the years ended December 31, 2004 and 2003, respectively. The significant increases in research and development and capital expenditures in the period from June 17, 2005 through December 29, 2005 and the nine months of 2006 are primarily attributable to increased spending on the B787 program.

We may from time to time seek to retire our outstanding debt. The amounts involved may be material. In addition, we may issue additional debt if prevailing market conditions are favorable to doing so and contractual restrictions permit us.

Off-Balance Sheet Arrangements

Other than operating leases disclosed in the notes to Spirit Holdings financial statements included in this prospectus, we have not entered into any off-balance sheet arrangements as of September 28, 2006.

Tax

As indicated in Critical Accounting Policies Income Tax in accordance with SFAS No. 109, *Accounting for Income Taxes* and SFAS No. 5, *Accounting for Contingencies*, we establish reserves for certain tax contingencies when, despite our view that the tax return positions are fully supportable, we anticipate that certain positions may be challenged by the various taxing authorities and it is probable that our positions may not be fully sustained. The reserves are adjusted quarterly to reflect changing facts and circumstances, such as the progress of a tax audit, case law developments and new or emerging legislation. We believe that the current tax reserves are adequate and reflect the most probable outcome of known tax contingencies. Any additional taxes will be determined only after the completion of any future tax audits. The timing of such payments cannot be determined, but we expect that they will not be made within one year. Accordingly, the tax contingency liability is included as a long term liability in our consolidated balance sheet.

During the period from inception through December 29, 2005 and the nine month period ending September 28, 2006, upon weighing available positive and negative evidence, including the fact that Spirit Holdings was a new legal entity that had no earnings history, we established a valuation allowance against 100% of our net deferred tax assets as it was, at that time, considered more likely than not that we would not have the ability to realize these assets. This affected our tax provision by deferring tax benefits until such time as management determines under SFAS No. 109 that we have a sufficient earnings history, among other factors, to recognize those benefits. Management reviews the need for a valuation allowance on a quarterly basis. If we continue to create and build on our positive earnings history, we anticipate releasing approximately $80 million of the valuation allowance, of which approximately $74 million will be a credit to the income tax provision in the fourth quarter of 2006.

For income tax purposes, we are required to use the percentage-of-completion (POC) method of accounting for our long-term contracts. The tax POC method essentially defers deductions for research and certain development costs incurred in the early years of long-term programs. For the period from inception through December 29, 2005, we reflected a net loss on our financial statements driven in large part by B787 development costs. For tax purposes, such development costs are deferred under the tax POC method and, accordingly, we generated taxable income and a current period tax liability.

Table of Contents

Repayment of B787 Advance Payments

The B787 Supply Agreement requires Boeing to make advance payments to us for production articles in the aggregate amount of $700 million, payable to us through 2007. We must then repay this advance, without interest, in the amount of a $1.4 million offset against the purchase price of each of the first five hundred B787 shipsets delivered to Boeing. In the event that Boeing does not take delivery of five hundred B787 shipsets, any advances not then repaid will first be applied against any outstanding B787 payments then due by Boeing to us, with any remaining balance repaid at the rate of $84 million per year beginning the year following our final delivery of a B787 production shipset to Boeing. Accordingly, the repayment liability is included as a long term liability in our consolidated balance sheet.

Backlog

We estimate that, as of September 28, 2006, our revenues associated with the Boeing, Airbus and Raytheon deliveries, calculated based on contractual product prices and expected delivery volumes, will be approximately $17.1 billion. This is an increase of $3.1 billion over our corresponding estimate as of the end of 2005 (after giving effect to the BAE Acquisition), which reflects the strong orders at Boeing and Airbus. Backlog is calculated based on the lower of the number of units Spirit is under contract to produce and Boeing or Airbus announced backlog, as applicable, in each case at contract rates. Approximately 41% of the orders represented by the backlog are within our contractual forward buy authorization as of September 30, 2006 (after giving effect to the BAE Acquisition), meaning that our customers will compensate us if we purchase materials for such orders and they are subsequently cancelled. The forward buy authorization as well as purchase orders may be subject to cancellation or delay by the customer prior to shipment, depending on contract terms. The level of unfilled orders at any given date during the year will be materially affected by the timing of our receipt of firm orders and additional airplane orders, and the speed with which those orders are filled. Accordingly, our backlog as of September 30, 2006 may not necessarily represent the actual amount of deliveries or sales for any future period.

Foreign Operations

We engage in business in various non-U.S. markets. As of April 1, 2006, we have a foreign subsidiary with two facilities in the United Kingdom and a worldwide supplier base. We purchase certain components and materials that we use in our products from foreign suppliers and a portion of our products will be sold directly to foreign customers, including Airbus, or resold to foreign end-users (i.e. foreign airlines and militaries).

Currency fluctuations, tariffs and similar import limitations, price controls and labor regulations can affect our foreign operations. Other potential limitations on our foreign operations include expropriation, nationalization, restrictions on foreign investments or their transfers and additional political and economic risks. In addition, the transfer of funds from foreign operations could be impaired by any restrictive regulations that foreign governments could enact.

Sales to foreign customers are subject to numerous additional risks, including the impact of foreign government regulations, political uncertainties and differences in business practices. There can be no assurance that foreign governments will not adopt regulations or take other actions that would have a direct or indirect adverse impact on our business or market opportunities with such governments countries. Furthermore, the political, cultural and economic climate outside the United States may be unfavorable to our operations and growth strategy.

For the nine months ended September 28, 2006, our revenues from direct sales to non-U.S. customers were approximately $160.3 million, or approximately 7% of total revenue for the same period. All of these sales occurred during the period from April 1, 2006 through September 28, 2006, following our acquisition of Spirit Europe.

Inflation

A majority of our sales are conducted pursuant to long-term contracts that set fixed unit prices, some of which provide for price adjustment for inflation. In addition, we typically consider expected inflation in determining proposed pricing when we bid on new work. Although we have attempted to minimize the

effect of inflation on our business through these protections, sustained or higher than anticipated increases in costs of labor or materials could have a material adverse effect on our results of operations.

Spirit s contracts with suppliers currently provide for fixed pricing in U.S. dollars; Spirit Europe s supply contracts are denominated in U.S. dollars, British pounds sterling and Euros. In some cases our supplier arrangements contain inflationary adjustment provisions based on accepted industry indices, and we typically include an inflation component in estimating our supply costs. As the metallic raw material industry is experiencing significant demand pressure, we expect that raw material market pricing will increase to a level that may impact our costs, despite protections in our existing supplier arrangements. We will continue to focus our strategic cost reduction plans on mitigating the effects of this cost increase on our operations.

Quantitative and Qualitative Disclosures About Market Risk

As a result of our operating and financing activities, we are exposed to various market risks that may affect our consolidated results of operations and financial position. These market risks include fluctuations in interest rates, which impact the amount of interest we must pay on our variable rate debt.

Other than the interest rate swaps described below, financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash investments and trade accounts receivable.

Accounts receivable include amounts billed and currently due from customers, amounts earned but unbilled, particular estimated contract changes, claims in negotiation that are probable of recovery, and amounts retained by the customer pending contract completion. For the nine months ended September 28, 2006, approximately 92% of our revenues (approximately 89% of our combined revenues assuming the BAE Acquisition had occurred on January 1, 2006) were from sales to Boeing. We continuously monitor collections and payments from customers and maintain a provision for estimated credit losses as deemed appropriate based upon historical experience and any specific customer collection issues that have been identified. While such credit losses have historically not been material, we cannot guarantee that we will continue to experience the same credit loss rates in the future.

We maintain cash and cash equivalents with various financial institutions and perform periodic evaluations of the relative credit standing of those financial institutions. We have not experienced any losses in such accounts and believe that we are not exposed to any significant credit risk on cash and cash equivalents.

Some raw materials and operating supplies are subject to price and supply fluctuations caused by market dynamics. Our strategic sourcing initiatives are focused on mitigating the impact of commodity price risk. We are party to collective raw material sourcing contracts arranged through Boeing, Airbus and BAE Systems. These collective sourcing contracts allow us to obtain raw materials at pre-negotiated rates and help insulate us from disruption associated with the unprecedented market demand across the industry for metallic and composite raw materials. We also have long-term supply agreements with a number of our major parts suppliers. We, as well as our supply base, are experiencing delays in the receipt of, and pricing increases for, metallic raw materials (primarily aluminum and titanium) due to unprecedented market demand across the industry. Based upon discussions with customers and suppliers, we expect these conditions to continue through at least 2012 as metallic raw material supply adjusts to the industry upturn, market conditions shift due to increased infrastructure demand in China and Russia, and aluminum and titanium usage increases in a widening range of global products. These market conditions began to affect cost and production schedules in mid-2005, and may have an impact on cash flows or results of operations in future periods. We generally do not employ forward contracts or other financial instruments to hedge commodity price risk, although we are reviewing a full range of business options focused on strategic risk management for all raw material commodities.

Any failure by our suppliers to provide acceptable raw materials, components, kits or subassemblies could adversely affect our production schedules and contract profitability. We assess qualification of suppliers and continually monitor them to control risk associated with such supply base reliance.

To a lesser extent, we also are exposed to fluctuations in the prices of certain utilities and services, such as electricity, natural gas, chemicals and freight. We utilize a range of long-term agreements to minimize procurement expense and supply risk in these areas.

Table of Contents

Interest Rate Risks

After the effect of interest rate swaps, as of September 28, 2006, after giving pro forma effect to this offering, we had $500 million of total fixed rate debt and $93.0 million of variable rate debt outstanding. Borrowings under our senior secured credit facility bear interest that varies with LIBOR. Interest rate changes generally do not affect the market value of such debt, but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. Assuming other variables remain constant, including levels of indebtedness, a one percentage point increase in interest rates on our variable debt would have an estimated impact on pre-tax earnings and cash flows for the next twelve months of approximately $2 million.

As required under our senior secured credit facility, in July 2005 we entered into floating-to-fixed interest rate swap agreements with notional amounts totaling $500 million as follows:

- an effective fixed interest rate of 6.59% from June 2005 to July 2008 on $100 million of the Term Loan B;
- an effective fixed interest rate of 6.65% from June 2005 to July 2009 on $300 million of the Term Loan B; and
- an effective fixed interest rate of 6.72% from June 2005 to July 2010 on $100 million of the Term Loan B.

The purpose of entering into these swaps was to reduce our exposure to variable interest rates. In accordance with SFAS No. 133, the interest rate swaps are being accounted for as cash flow hedges and the fair value of the swap agreements is reported as an asset on the balance sheet. The fair value of the interest rate swaps was a net asset of approximately $8.4 million at September 28, 2006.

Foreign Exchange Risks

On April 1, 2006, in connection with the BAE Acquisition, we acquired forward foreign currency exchange contracts denominated in British pounds sterling with notional amounts totaling approximately $94 million. The purpose of these forward contracts is to allow Spirit Europe to reduce its exposure to fluctuations of U.S. dollars.

As a result of the BAE Acquisition, we have sales, expenses, assets and liabilities that are denominated in British pounds sterling. Spirit Europe s functional currency is the British pound sterling. However, sales of Spirit Europe s products to Boeing and some procurement costs are denominated in U.S. dollars. As a consequence, movements in exchange rates could cause net sales and our expenses to fluctuate, affecting our profitability and cash flows. We use foreign currency forward contracts to reduce our exposure to currency exchange rate fluctuations. The objective of these contracts is to minimize the impact of currency exchange rate movements on our operating results. We do not use these contracts for speculative or trading purposes.

In addition, even when revenues and expenses are matched, we must translate British pound sterling denominated results of operations, assets and liabilities for our foreign subsidiaries to U.S. dollars in our consolidated financial statements. Consequently, increases and decreases in the value of the U.S. dollar as compared to the British pound sterling will affect our reported results of operations and the value of our assets and liabilities on our consolidated balance sheet, even if our results of operations or the value of those assets and liabilities has not changed in its original currency. These transactions could significantly affect the comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and shareholders equity.

In accordance with SFAS No. 133, the foreign exchange contracts are being accounted for as cash flow hedges. The fair value of the foreign exchange contracts was a net asset of approximately $11.4 million at September 28, 2006.

Other than the interest rate swaps and foreign exchange contracts, we have no other derivative financial instruments.

Internal Control

Prior to the Boeing Acquisition, Boeing Wichita relied on Boeing s shared services group for certain business processes associated with its financial reporting including treasury, income tax accounting and external reporting. Since the Boeing Acquisition, we have had to develop these and other functional areas as a stand alone entity including the necessary processes and internal control to prepare our financial statements on a timely basis in accordance with U.S. GAAP. We are in the process of evaluating our internal controls over the financial reporting processes of our recently acquired foreign operations and will implement improvements where we consider them to be necessary.

Generally accepted auditing standards define a material weakness as a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In connection with our quarterly financial statements as of and for the three months ended September 29, 2005, we concluded that we had three material weaknesses in our internal control over financial reporting as described below.

We did not maintain effective internal control over the quarterly closing and consolidation process, including the account reconciliation and review process and accuracy of certain accounts receivable transactions. Specifically, controls over the reconciliation of the accounts receivable subsidiary ledger to its associated general ledger balances, application of certain cash payments from customers and the investigation and resolution of customer payment discrepancies were ineffective to appropriately record certain accounts receivable transactions. This control deficiency resulted in adjustments to the accounts receivable, revenue and cash accounts. If not remediated, this deficiency would result in a material misstatement of accounts receivable and related accounts.

We did not maintain effective controls over our income tax provision and the related balance sheet accounts. Specifically, controls over the accuracy of the income tax provision and related deferred tax accounts as well as the Company s related financial statement disclosures in accordance with SFAS No. 109 were ineffective to appropriately apply SFAS No. 109 in evaluating its required valuation allowance and establishing the tax basis of the acquired assets and assumed liabilities of the Boeing Acquisition. This control deficiency resulted in adjustments to the deferred tax, valuation allowance and income tax provision accounts as well as our related SFAS No. 109 financial statement disclosures.

We did not maintain effective controls over the accuracy and completeness of our interim financial statements of our Tulsa, Oklahoma facility. Specifically, there were ineffective controls over the reconciliation of certain general ledger accounts and the aggregation and reporting of those accounts into our financial statements which could have resulted in a material misstatement in our financial statements.

We have implemented many improvements in our internal control and processes over financial reporting including specific remediation efforts to address the aforementioned material weaknesses. Our remediation is described below.

During 2005 and the first quarter of 2006, we remediated the material weakness associated with our quarterly closing and reconciliation process and accounts receivable accounting by strengthening supervisory reviews by management personnel and implementing monthly procedures to reconcile our accounts receivable subsidiary ledger to our associated general ledger accounts. Additionally, we developed monitoring procedures to identify customer payment discrepancies and implemented cash application and collection activities to investigate and resolve such discrepancies. This remediation required us to add additional resources within our billing, cash application and collection departments.

During 2005, we remediated the material weakness associated with our income tax accounting in accordance with SFAS No. 109. This remediation included hiring competent resources to staff a tax department (including an experienced tax director), developing a complete and accurate tax balance sheet and performing periodic income tax provision, deferred tax and valuation allowance estimates and supporting calculations. Additionally, our tax and accounting departments periodically

77

review and evaluate our estimated effective income tax rate, realizability of deferred tax assets, valuation allowance requirements and the tax implications of significant and non-recurring transactions to ensure complete and accurate reporting and disclosures under SFAS No. 109.

During 2005, we remediated the material weakness associated with the financial consolidation of our Tulsa, Oklahoma facility. This remediation included expanding the capabilities of Tulsa finance resources by training existing Tulsa staff and hiring additional finance resources, developing and implementing corporate oversight and monitoring procedures, performing detailed account reconciliation and developing reporting templates to ensure a complete and accurate consolidation of the financial statements of the Tulsa facility into our consolidated financial statements.

As a result of the remediation efforts completed through the quarter ended June 29, 2006, we believe that these material weaknesses have been remediated.

In connection with the issuance of our December 29, 2005 and June 29, 2006 financial statements in the third quarter of 2006, we concluded that we had an additional material weakness in our internal control over financial reporting as described below.

We did not maintain effective controls over our determination of the fair values ascribed for financial reporting purposes to stock compensation awards granted to our employees and directors through June 29, 2006 in accordance with SFAS No. 123(R), *Share Based Payment*. Specifically, we did not properly estimate the fair values of these awards in determining the accuracy of our stock compensation expense under SFAS No. 123(R). This control deficiency resulted in a restatement of our financial results as of December 29, 2005 and June 29, 2006 and for the periods then ended to adjust selling, general and administrative expenses, income taxes and equity accounts as well as our earnings per share and stock compensation financial statement disclosures.

During the third quarter of 2006, we began to remediate the material weakness associated with determining the fair value of our stock compensation awards. These remediation efforts included the development of a valuation methodology and corresponding model to determine the fair value of our underlying equity on a per share basis at each of our equity award grant dates. In addition, we have implemented additional corporate accounting oversight, monitoring and review procedures to validate the fair values and resulting stock compensation expense to be recorded in accordance with SFAS No. 123(R). As a result, we believe that this material weakness has been remediated.

Beginning with our Annual Report on Form 10-K for fiscal year 2007, pursuant to Section 404 of the Sarbanes-Oxley Act, our management will be required to assess the effectiveness of our internal control over financial reporting, and we will be required to have our independent registered public accounting firm audit management s assessment of the operating effectiveness of our internal control over financial reporting.

BUSINESS

Our Company

We are the largest independent non-OEM designer and manufacturer of aerostructures in the world. Aerostructures are structural components such as fuselages, propulsion systems and wing systems for commercial and military aircraft. Spirit Holdings was formed in February 2005 as a holding company of Spirit. Spirit s operations commenced on June 17, 2005 following the acquisition of Boeing Wichita. On April 1, 2006, we became a supplier to Airbus through our BAE Acquisition. Although Spirit Holdings is a recently-formed company, its predecessor, Boeing Wichita, had 75 years of operating history and expertise in the commercial and military aerostructures industry. For the nine months ended September 28, 2006 we generated revenues of approximately $2,356 million and had net income of approximately $86 million. For the three months ended September 28, 2006, we generated revenues of approximately $830 million and net income of approximately $34 million.

We are the largest independent supplier of aerostructures to both Boeing and Airbus. We manufacture aerostructures for every Boeing commercial aircraft currently in production, including over 70% of the airframe content for the Boeing B737. As a result of our unique capabilities both in process design and composite materials, we were awarded a contract that makes us the largest aerostructures content supplier on the Boeing B787, Boeing s next generation twin aisle aircraft. Furthermore, we believe we are the largest content supplier for the wing for the Airbus A320 family and we are a significant supplier for Airbus new A380. Sales related to large commercial aircraft production, some of which may be used in military applications, represented approximately 99% of our revenues for the nine months ended September 28, 2006.

We derive our revenues primarily through long-term supply agreements with both Boeing and Airbus. For the nine months ended September 28, 2006, approximately 89% and approximately 10% of our combined revenues (assuming the BAE Acquisition occurred on January 1, 2006) were generated from sales to Boeing and Airbus, respectively. We are currently the sole-source supplier of 96% of the products we sell to Boeing and Airbus, as measured by dollar value of the products sold. We are a critical partner to our customers due to the broad range of products we currently supply to them and our leading design and manufacturing capabilities using both metallic and composite materials. Under our supply agreements with Boeing and Airbus, we supply essentially all of our products for the life of the aircraft program (other than A380), including commercial derivative models. For the A380 we have a long-term supply contract with Airbus that covers a fixed number of product units at established prices.

We are organized into three principal reporting segments: (1) Fuselage Systems, which include the forward, mid- and rear fuselage sections, (2) Propulsion Systems, which include nacelles, struts/pylons and engine structural components and (3) Wing Systems, which include wings, wing components and flight control surfaces. All other activities fall within the All Other segment, principally made up of sundry sales of miscellaneous services and sales of natural gas through a tenancy-in-common with other Wichita companies. Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 49%, 27%, 23% and 1%, respectively, of our revenues for the quarter ended September 28, 2006.

Our History

In December 2004 and February 2005, an investor group led by Onex Partners LP and Onex Corporation formed Spirit and Spirit Holdings, respectively, for the purpose of acquiring Boeing Wichita. The Boeing Acquisition was completed on June 16, 2005. Prior to the acquisition, Boeing Wichita functioned as an internal supplier of parts and assemblies for Boeing s airplane programs and had very few sales to third parties.

In connection with the Boeing Acquisition, we entered into a long-term supply agreement under which we are Boeing s exclusive supplier for substantially all of the products and services provided by Boeing Wichita to Boeing prior to the Boeing Acquisition. The supply contract is a requirements contract covering certain products such as fuselages, struts/pylons and nacelles for Boeing B737, B747, B767 and

B777 commercial aircraft programs for the life of these programs, including any commercial derivative models. Pricing for existing products on in-production models is contractually set through May 2013, with average prices decreasing at higher volume levels and increasing at lower volume levels. We also entered into a long-term supply agreement for Boeing s new B787 platform covering the life of this platform, including commercial derivatives. Under this contract we will be Boeing s exclusive supplier for the forward fuselage, fixed and moveable leading wing edges and struts for the B787. Pricing for these products on the B787-8 model is generally set through 2021, with prices decreasing as cumulative production volume levels are achieved.

On April 1, 2006, through our wholly-owned subsidiary, Spirit Europe, we acquired BAE Aerostructures. Spirit Europe manufactures leading and trailing wing edges and other wing components for commercial aircraft programs for Airbus and Boeing and produces various aerostructure components for certain Raytheon business jets. The BAE Acquisition provides us with a foundation to increase future sales to Airbus, as Spirit Europe is a key supplier of wing and flight control surfaces for the A320 platform, Airbus core single aisle program, and of wing components for the A380 platform, one of Airbus most important new programs and the world s largest commercial passenger aircraft. Under our supply agreements with Airbus, we supply most of our products for the life of the aircraft program, including commercial derivative models, with pricing determined through 2010. For the A380, we have a long-term supply contract with Airbus that covers a fixed number of units.

Our Industry

Based on our research the global market for aerostructures is estimated to have totaled $24 billion in annual sales in 2004. Currently, aircraft OEMs outsource approximately half of the aerostructures market to independent third parties such as ourselves. We expect the outsourcing of the design, engineering and manufacturing of aerostructures to increase as OEMs increasingly focus operations on final assembly and support services for their customers. The original equipment aerostructures market can be divided by end market application into three market sectors: (1) commercial (including regional and business jets), (2) military and (3) modifications, upgrades, repairs and spares. While we serve all three market sectors, we primarily derive our current revenues from the commercial market sector. We estimate that the commercial sector represents approximately 61% of the total aerostructures market, while the military sector represents approximately 28% and the modifications, upgrades, repairs and spares sector represents approximately 11%.

Demand for commercial aerostructures is directly correlated to demand for new aircraft. Demand for new aircraft is a function of several factors such as demand for commercial air transport and freight capacity, financial health of aircraft operators, and general economic conditions. New large commercial aircraft deliveries by Boeing and Airbus totaled 668 in 2005, up from 605 in 2004 and 586 in 2003, which was the most recent cyclical trough following the 1999 peak of 914 deliveries. Aircraft orders and deliveries in 2002 and 2003 were adversely impacted by economic recessionary conditions, the terrorist attacks of September 11, 2001 and SARS outbreaks in 2002. Demand has since rebounded, resulting in record orders in 2005 for 2,057 Boeing and Airbus aircraft, which are expected to be delivered over the next several years. According to published estimates by Boeing and Airbus, they expect to deliver a combined total of approximately 825 commercial aircraft in 2006. As of September 30, 2006, Boeing and Airbus had a combined backlog of 4,294 commercial aircraft, which has grown from a combined backlog of 2,597 as of December 31, 2004.

The business jet market segment is driven by corporate profitability, worldwide economic growth and the extent to which business jets are viewed as a viable alternative to commercial air travel. Higher corporate profit rates coupled with emerging business jet market growth are producing what we believe will be a record business jet market in 2006, with projected deliveries of approximately 900 aircraft, and we expect the industry to remain relatively steady in the coming years. Based on our research, we believe that over the next ten year period, over 10,000 business jets, worth approximately $141 billion in sales, will be produced.

The demand for regional jets, which seat 30-120 passengers, is driven by airlines desire to match demand and supply more closely on short routes, while maintaining or expanding their geographical footprint. In the recent past, regional jet manufacturers have benefited from bankruptcies of various U.S. carriers because bankruptcies allow airlines to obtain relaxation of certain requirements in pilots contracts and therefore substitute smaller jets for larger aircraft. However, because regional jets are less fuel efficient per seat than larger aircraft, the current fuel price environment makes them less economical to operate; 2004 and 2005 experienced lower order intakes than 2003, and deliveries exceeded orders in both years, reducing overall backlog.

The market for military aerostructures is dependent upon government development and procurement of military aircraft, which is affected by many factors, including force structure and fleet requirements, the DoD and foreign defense budgets, the political environment and public support for defense spending and current and expected threats to U.S. and foreign national security and related interests. Following the terrorist attacks of September 11, 2001, the DoD aircraft procurement budget rose to $20.9 billion in federal fiscal 2002, excluding supplementals, from $18.8 billion in federal fiscal 2001, and since 2002 has risen at a compounded annual growth rate of 4.85% to $25.3 billion in federal fiscal 2006.

Aircraft modifications, upgrades, repairs and spares are intended to extend the useful life of in-service aircraft. Modifications are structural changes that enable existing aircraft to perform alternative missions. For example, certain B747 models used for commercial transport service have been modified to provide increased freight capacity by removing seating and adding cargo doors and support structures for increased weight loads. Upgrades represent the application of new technology to increase performance characteristics. For example, winglets are affixed to the tips of existing wings to increase aerodynamics and fuel efficiencies. The market for repairs and spares, otherwise referred to as the aftermarket, encompasses both scheduled and event-driven maintenance of existing aircraft structural components. Scheduled maintenance is performed at regular intervals to ensure structural integrity of aerostructures and drives demand for spares and repairs. New components are also often required to replace components damaged or impaired by corrosion, lightning strikes or ground-based activities.

Our Competitive Strengths

We believe our key competitive strengths include:

Leading Position in the Growing Commercial Aerostructures Market. We are the largest independent non-OEM commercial aerostructures manufacturer, with an estimated 19% market share among all aerostructures suppliers. We believe our market position and significant scale favorably position us to capitalize on the increased demand for large commercial aircraft. As of September 30, 2006, Boeing and Airbus had a combined backlog of 4,294 commercial aircraft, which has grown from a backlog of 2,597 as of December 31, 2004. We are under contract to provide aerostructure products for approximately 97% of the aircraft that comprise this commercial aircraft backlog. The significant aircraft order backlog and our strong relationships with Boeing and Airbus should enable us to continue to profitably grow our core commercial aerostructures business.

Participation on High Volume and Major Growth Platforms. We derive a high proportion of our Boeing revenues from Boeing s high volume B737 program and a high proportion of our Airbus revenues from the high volume A320 program. The B737 and A320 families are Boeing s and Airbus best selling commercial airplanes. We also have been awarded a significant amount of work on the major new twin aisle programs launched by Boeing and Airbus, the B787 and the A380.

Stable Base Business. We have entered into exclusive long-term supply agreements with Boeing and Airbus, our two largest customers, making us the exclusive supplier for most of the business covered by these contracts. Our supply agreements with Boeing provide that we will continue to supply essentially all of the products we currently supply to Boeing for the life of the current aircraft programs, including commercial derivative models. The principal supply agreements we have entered into with Boeing make us Boeing s exclusive source for substantially all of the products covered by the agreements, meaning that Boeing may not produce the products internally or purchase them from other suppliers. In addition, for

essentially all of our products currently sold to Boeing, our product pricing is variable such that at lower annual volumes the average prices are higher, thereby helping to protect our margins if volume is reduced.

Under our supply agreements with Airbus, we supply most of our products for the life of the aircraft program, including commercial derivative models, with pricing determined through 2010. For the A380, we have a long-term supply contract with Airbus that covers a fixed number of units. We are currently the sole-source supplier for approximately 78% of the products, as measured by dollar value, that we sell to Airbus. We believe our long-term supply contracts with our two largest customers provide us with a stable base business upon which to build.

Strong Incumbent and Competitive Position. We have a strong incumbent position on the products we currently supply to Boeing and Airbus due not only to our long-term supply agreements, but also to our long-standing relationships with Boeing and Airbus, as well as to the high costs OEMs would incur to switch suppliers on existing programs. We have strong, embedded relationships with our primary customers as most of our senior management team are former Boeing or Airbus executives. We believe our senior management team possesses inherent knowledge of and relationships with Boeing and Airbus that may not exist to a corresponding degree between other suppliers and these two OEMs.

We believe that OEMs incur significant costs to change aerostructures suppliers once contracts are awarded. Such changes after contract award require additional testing and certification, which may create production delays and significant costs for both the OEM and the new supplier. We also believe it would be cost prohibitive for other suppliers to duplicate our facilities and the over 20,000 major pieces of equipment that we own or operate. The combined insurable replacement value of all the buildings and equipment we own or operate is over $5 billion, including approximately $2.3 billion and approximately $1.7 billion for buildings and equipment, respectively, that we own and approximately $1.1 billion for other equipment used in the operation of our business. The insurable values represent the estimated replacement cost of buildings and equipment used in our operations and covered by property insurance, and exceeds the fair value of assets acquired as determined for financial reporting purposes. As a result, we believe that so long as we continue to meet our customers requirements, the probability of their changing suppliers on our current statement of work is quite low.

Industry Leading Technology, Design Capabilities and Manufacturing Expertise. Spirit Holdings predecessor, Boeing Wichita, had over 75 years of experience designing and manufacturing large-scale, complex aerostructures and we possess industry-leading engineering capabilities that include significant expertise in structural design and technology, use of composite materials, stress analysis, systems engineering and acoustics technology. With approximately 800 degreed engineering and technical employees (including over 200 degreed contract engineers), we possess knowledge and manufacturing know-how that would be difficult for other suppliers to replicate. In addition to our engineering expertise, we have strong manufacturing and technological capabilities. Our manufacturing processes are highly automated, delivering efficiency and quality, and we have expertise in manufacturing aerostructures using both metallic and composite materials. We have strong technical expertise in bonding and metals fabrication, assembly, tooling and composite manufacturing, including handling all composite material grades and fabricating large scale complex contour composites. For example, we currently manufacture the largest commercial composite aerostructure, the Boeing B777 nacelle, and it is in part because of this expertise that Boeing has selected us to develop and supply the forward fuselage section for the Boeing B787, one of the largest, most complex composite monostructures currently designed for any commercial aircraft globally.

We believe our technological, engineering and manufacturing capabilities separate us from many of our competitors and give us a significant competitive advantage to grow our business and increase our market share. The fact that we are the only external supplier of forward fuselages for large commercial aircraft demonstrates our industry leadership. The forward fuselage is one of the most complex and technologically advanced aerostructures on a commercial aircraft because it must satisfy the aircraft s contour requirements, balance strength, aerodynamics and weight, and house the cockpit and avionics.

Given this complexity, the forward fuselage sells at a premium, for approximately twice the value per pound of other fuselage sections.

Competitive and Predictable Labor Cost Structure. In connection with the Boeing Acquisition, we achieved comprehensive cost reductions. The cornerstones to our cost reductions were: (1) labor savings, (2) pension and other benefit savings, (3) reduced corporate overhead, and (4) operational efficiency improvements. At the time of the acquisition, we reduced our workforce by 15% and entered into new labor contracts with our unions that established wage levels which are in-line with the local market. We also changed work rules and significantly reduced the number of job categories, resulting in greater flexibility in work assignments and increased productivity. We were also able to reduce pension costs, largely through a shift from a defined benefit plan to more predictable defined contribution and union-sponsored plans, and to reduce fringe benefits by increasing employee contributions to health care plans and decreasing retiree medical costs. In addition, we replaced corporate overhead previously allocated to Boeing Wichita when it was a division of Boeing with our own significantly lower overhead spending. As a result of these initiatives, we achieved approximately $200 million of annual recurring cost savings, assuming annual deliveries remain constant at 2005 rates. Moreover, as a result of our long-term collective bargaining agreements with most of our labor unions, our labor costs should be fairly predictable well into 2010.

We have also begun to implement a number of operational efficiency improvements, including global sourcing to reduce supplier costs and realignment of our business units. Since the Boeing Acquisition, as a result of these efficiency initiatives, we expect to achieve approximately $80 million of additional average annual recurring cost savings, assuming annual deliveries remain constant at 2005 rates. We believe there continue to be significant cost savings opportunities through our ongoing initiatives. We believe our competitive cost structure has positioned us to win significant new business and was a factor in three recent awards of significant contracts.

Experienced Management Team with Significant Equity Ownership. We have an experienced and proven management team with an average of over 20 years of aerospace industry experience. Our management team has successfully expanded our business, reduced costs and established the stand alone operations of our business. After giving effect to this offering, members of our management team will hold common stock equivalent to approximately 0.5% of our company on a fully diluted basis.

Our Strategy

Our goal is to remain a leading aerostructures manufacturer and to increase revenues while maximizing our profitability and growth. Our strategy includes the following:

Support Increased Aircraft Deliveries. We value being the largest independent aerostructures supplier to both Boeing and Airbus and core to our business strategy is a determination to meet or exceed their expectations under our existing supply arrangements. Our customers expect us to deliver high quality products on schedule. We are constantly focused on improving our manufacturing efficiency and maintaining our high standards of quality and on-time delivery to meet these expectations. We are also focused on supporting our customers increase in new aircraft production and the introduction of key aircraft programs such as the Boeing B787 and the Airbus A380. We are adjusting our manufacturing processes, properties and facilities to accommodate an increase in production and an expected shift in mix. With the upturn in the commercial aerospace market, we have begun to see delivery rates increase. In 2005, we delivered 308 Boeing shipsets (one shipset being a full set of components produced by us for one airplane), as compared to 270 Boeing shipsets in 2004. For the first nine months of 2006, we delivered 289 Boeing shipsets, as compared to 237 Boeing shipsets for the nine months ended September 29, 2005. Along with rising production rates, we are also experiencing a mix change, with a higher ratio of larger aircraft, which generally have higher dollar value content. We believe we are well positioned to meet the increased demand for our products by our customers.

Win New Business from Existing and New Customers. We believe that we are well positioned to win additional work from Boeing and Airbus, particularly work that they currently insource but that they might

shift to an external supplier in the future and work on new aircraft programs. Based on our research, we believe that outsourcing design, engineering and manufacturing of aerostructures to suppliers increased from approximately 40% in 2003 to approximately 49% by year end in 2004 (adjusting for the outsourcing by Boeing as a result of the Boeing Acquisition), and we expect additional increases of outsourcing in the future. In addition, opportunities for us to win significant new business will typically arise when OEMs design new aircraft programs such as the Boeing B787 or the Airbus A380, or a new aircraft derivative, such as cargo versions of passenger aircraft, larger or extended range versions of in-production airplanes, and military versions of commercial airplanes. Suppliers to aircraft OEMs must meet demanding quality and reliability standards, and our record of meeting those standards over decades with Boeing and Airbus is a key competitive strength. We believe we are well positioned to increase our statement of work from our customers given our strong relationships, our size, design and build capabilities and our financial resources, which are necessary to make proper investments. Since inception, Spirit has bid on additional work with existing customers in the large commercial aircraft, business jet, rotorcraft and military sectors.

Prior to the Boeing Acquisition, Boeing Wichita was unable to pursue non-Boeing OEM business. However, as an independent company, we now have significant opportunities to increase our sales to OEMs other than Boeing. We believe our design, engineering and manufacturing capabilities are highly attractive to potential new customers and provide a competitive advantage in winning new aerostructures business. For example, we believe we are well positioned to win new composite aerostructures business from OEMs by leveraging our composite expertise developed from the design and production of the Boeing B777 nacelle and the development of the Boeing B787 forward fuselage. Based on our research, the composite aerostructures market is currently estimated to have generated over $2 billion in annual sales in 2004 with a projected annual growth rate of 11% over the period from 2004 to 2009. Since inception, Spirit has bid on supply contracts with new customers in the regional aircraft, business jet, rotorcraft, military and engine manufacturer sectors.

We have established a sales and marketing infrastructure to support our efforts to win business from new and existing customers. To win new business, we market our mix of engineering expertise in the design and manufacture of aerostructures, our advanced manufacturing capabilities with both composites and metals, and our competitive cost structure. As a result of our core capabilities, competitive cost position, and sales and marketing efforts, we have won several significant contracts from non-Boeing customers in competitive bid processes since the Boeing Acquisition.

Research and Development Investment in Next Generation Technologies. We invest in direct research and development for current programs to strengthen our relationships with our customers and new programs to generate new business. As part of our research and development effort, we work closely with OEMs and integrate our engineering teams into their design processes. As a result of our close coordination with OEMs design engineering teams and our research and development investments in technology, engineering and manufacturing, we believe we are well positioned to win new business on new commercial and military platforms.

Provide New Value-Added Services to our Customers. We believe we are one of the few independent suppliers that possess the core competencies to not only manufacture, but also to integrate and assemble complex system and structural components. For example, we have been selected to assemble and integrate avionics, electrical systems, hydraulics, wiring and other components for the forward fuselage and pylons for the Boeing B787. As a result, Boeing expects to be able to ultimately assemble a B787 so that it is ready for test flying within three days after it receives our shipset, as compared to 25 to 30 days for assembly of a B737. We believe our ability to integrate complex components into aerostructures is a service that greatly benefits our customers by reducing their flow time and inventory holding costs. As a result of our ability to integrate and assemble components from a diverse supplier base, we believe we are integral to our customers supply chain.

Continued Improvement to our Low Cost Structure. Although we achieved significant cost reductions at the time of acquisition, we remain focused on further reducing costs. There continue to be cost saving opportunities in our business and we have identified and begun to implement them. We expect that most

of our future cost saving opportunities will arise from increased productivity, continued outsourcing of non-core activities, and improved procurement and sourcing through our global sourcing initiatives. We believe our strategic sourcing expertise should allow us to develop and manage low-cost supply chains in Asia and Central Europe. Our goal is to continue to increase our material sourcing from low-cost jurisdictions.

Pursue Strategic Acquisitions on an Opportunistic Basis. The commercial aerostructures market is highly fragmented with many small private businesses and divisions of larger public companies. Given the market fragmentation, coupled with the trend by OEMs to outsource work to Tier 1 manufacturers, we believe our industry could experience significant consolidation in the coming years. Although our main focus is to grow our business organically, we believe we are well positioned to capture additional market share and diversify our current business through opportunistic strategic acquisitions.

Our Relationship with Boeing

Supply Agreement with Boeing for Current Platforms

Overview. In connection with the Boeing Acquisition, Spirit entered into long-term supply agreements under which it is Boeing s exclusive supplier for substantially all of the products and services provided by Boeing Wichita to Boeing prior to the closing of the Boeing Acquisition. The main supply contract is primarily comprised of two separate agreements: (1) the Special Business Provisions, or Sustaining SBP, which sets forth the specific terms of the supply arrangement with regard to Boeing s B737, B747, B767 and B777 aircraft and (2) the General Terms Agreement, or GTA, which sets forth other general contractual provisions relating to our various supply arrangements with Boeing, including provisions relating to termination, events of default, assignment, ordering procedures, inspections and quality controls. The summary below describes provisions contained in both the Sustaining SBP and the GTA as both agreements govern the main supply arrangement. We refer below to the Sustaining SBP, the GTA and any related purchase order or contract collectively as the Supply Agreement. The following description of the Supply Agreement summarizes the material portions of the agreement. The Supply Agreement setting forth the principal terms and conditions of our contractual relationship with Boeing is filed as exhibits to the registration statement of which this prospectus forms a part. The Supply Agreement is a requirements contract which covers certain products, including fuselages, struts/pylons and nacelles (including thrust reversers), as well as tooling, for Boeing B737, B747, B767 and B777 commercial aircraft programs for the life of these programs, including any commercial derivative models. During the term of the Supply Agreement and absent default by Spirit, Boeing is obligated to purchase all of its requirements for products covered by the Sustaining SBP from Spirit and prohibited from manufacturing such products itself. Although Boeing is not required to maintain a minimum production rate, Boeing is subject to a maximum production rate above which it must negotiate with us regarding responsibility for nonrecurring expenditures related to a capacity increase.

Pricing. The Supply Agreement sets forth established prices for recurring products through May 2013. Prices are adjusted each year based on a quantity-based price adjustment formula described in the Supply Agreement whereby average per unit prices are higher at lower volumes and lower at higher volumes. Prices are subject to adjustment for abnormal inflation (above a specified level in any year) and for certain production, schedule and other changes. See Changes below.

Two years prior to the expiration of the established pricing terms, Spirit will propose pricing for the following ten years or another period agreed upon by the parties. Boeing and Spirit are required to negotiate the pricing for such additional period in good faith based on then-prevailing U.S. market conditions for forward fuselages, B737 fuselages and B737/B777 struts and nacelles and based on then-prevailing global market conditions for all other products. If the parties are unable to agree upon pricing, then, until such dispute is resolved, pricing will be determined according to the price as of the expiration of the initial eight-year period, adjusted using the then-existing quantity-based price adjustment formula and annual escalation until such time as future pricing is agreed.

Prices for commercial derivative models are to be negotiated in good faith by the parties based on then-prevailing market conditions. If the parties cannot agree on price, then the parties must engage in dispute resolution pursuant to agreed-upon procedures.

Tooling. Under the Supply Agreement, Boeing owns all tooling used in production or inspection of products covered by the Sustaining SBP. Spirit is responsible for providing all new tooling required to manufacture and deliver products under the Supply Agreement, and Boeing acquires title to such tooling upon payment. Since Boeing owns this tooling, Spirit may not sell, lease, dispose of or encumber any of it. Spirit has the option to purchase certain limited tooling.

Although Boeing owns the tooling, Spirit has the limited right to use all tooling without charge to perform its obligations to Boeing under the Supply Agreement and also to provide aftermarket services in accordance with the rights granted to Spirit under other related agreements, including royalty-bearing license agreements. Boeing is entitled to use the tooling only under limited circumstances. Spirit is responsible for maintaining and insuring the tooling. Spirit s rights to use the tooling are subject to the termination provisions of the Supply Agreement.

Changes. Upon written notification to Spirit, Boeing has the right to make changes within the general scope of work performed by Spirit under the Supply Agreement. If any such change increases or decreases the cost or time required to perform, Boeing and Spirit will negotiate an equitable adjustment (based on rates, factors and methodology set forth in the Supply Agreement) to the price or schedule to reflect the change, except that Spirit will be responsible for absorbing the cost of certain changes. The Supply Agreement also provides for equitable adjustments to product prices in the event there are order accelerations or decelerations, depending on lead times identified in the Supply Agreement. In addition, the Supply Agreement provides for equitable adjustments to recurring part prices as well as the price of nonrecurring work upon the satisfaction of certain conditions and upon certain minimum dollar thresholds being met.

Raw Materials. Spirit is required to procure from Boeing (or its designated service provider) certain raw materials used in producing Boeing products, except that Spirit has the right to procure such raw materials from other sources if it reasonably believes that Boeing or its designated service provider cannot support its requirements. Revisions to the raw material pricing terms set forth in the Supply Agreement may entitle Spirit to a price adjustment.

Third Party Pricing. Spirit may be permitted to purchase supplies or subparts directly from Boeing s subcontractors under the terms of Boeing s subcontracts. If Spirit does so, a majority of the savings achieved as a result of purchasing through the subcontracts will be applied towards price reductions on the applicable Boeing products.

Nonrecurring Work Transfer. Following an event of default (as described below), termination by Boeing of an airplane program, expiration of the Supply Agreement or the termination of the Supply Agreement by mutual agreement of the parties, Spirit must transfer to Boeing all tooling and other nonrecurring work relating to the affected program, or if the entire Supply Agreement is cancelled, all tooling and other nonrecurring work covered by the Supply Agreement.

Additional Spirit Costs. In the event that Boeing rejects a product manufactured by Spirit, Boeing is entitled to repair or rework such product, and Spirit is required to pay all reasonable costs and expenses incurred by Boeing related thereto. In addition, Spirit is required to reimburse Boeing for costs expended in providing Spirit and/or Spirit s contractors technical or manufacturing assistance with respect to Spirit nonperformance issues.

Termination for Convenience. Subject to the restrictions prohibiting Boeing from manufacturing certain products supplied by Spirit or purchasing such products from any other supplier, Boeing may, at any time, terminate all or part of any order under the Supply Agreement by written notice to Spirit. If Boeing terminates all or part of an order, Spirit is entitled to compensation for certain costs.

Termination of Airplane Program. If Boeing decides not to initiate or continue production of a Boeing commercial aircraft model B737, B747, B767 or B777 or commercial derivative because it determines there is insufficient business basis for proceeding, Boeing may terminate such model or derivative, including any order therefor, by written notice to Spirit. In the event of such a termination, Boeing will be liable to Spirit for any orders issued prior to the date of the termination notice and may also be liable for certain termination costs. In addition, if Boeing terminates any such commercial aircraft model within two years after the Boeing Acquisition, Spirit also has the right to receive an inconvenience fee equal to Boeing s then-current net book value for the tooling in support of the terminated commercial aircraft model, determined without regard to any write-off or other adjustment by reason of such termination.

Events of Default and Remedies. It is an event of default under the Supply Agreement if Spirit:

(1) fails to deliver products as required by the Supply Agreement;

(2) fails to provide certain assurances of performance required by the Supply Agreement;

(3) breaches the provisions of the Supply Agreement relating to intellectual property and proprietary information;

(4) participates in the sale, purchase or manufacture of airplane parts without the required approval of the FAA or appropriate foreign regulatory agency;

(5) defaults under certain requirements to maintain a system of quality assurance;

(6) fails to comply with other obligations under the Supply Agreement (which breach continues for more than 10 days after notice is received from Boeing);

(7) is unable to pay its debts as they become due, dissolves or declares bankruptcy; or

(8) breaches the assignment provisions of the Supply Agreement (which breach continues for more than 10 days after notice is received from Boeing).

If an event of default occurs, Boeing has the right to exercise various remedies set forth in the Supply Agreement, including the right to manufacture or to otherwise obtain substitute products, cancel any or all outstanding orders under the Supply Agreement, and/or terminate the Supply Agreement. Boeing is limited, however, in its ability to cancel orders or terminate the Supply Agreement for the defaults described in items (1), (2) and (6) of the preceding paragraph. In such cases, Boeing may not cancel orders unless the event of default is material and has an operational or financial impact on Boeing and may not terminate the Supply Agreement unless there are repeated, material events of default and certain other criteria are satisfied. In such case, Boeing may only terminate the Supply Agreement with respect to the aircraft program affected by the event of default. If two or more programs are affected by the event of default, Boeing may terminate the entire Supply Agreement. Boeing may also require Spirit to transfer tooling, raw material, work-in-process and other inventory and certain intellectual property to Boeing in return for reasonable compensation therefor.

Wrongful Termination. If Boeing wrongfully terminates an order, Spirit is entitled to recover lost profits, in addition to any amount Spirit would be entitled to recover for a Termination for Convenience, as described above. If Boeing wrongfully cancels or terminates the Sustaining SBP with respect to a model of program airplane, then Spirit is entitled to all remedies available at law or in equity, with monetary damages not to exceed an agreed limit.

Excusable Delay. If delivery of any product is delayed by circumstances beyond Spirit s reasonable control, and without Spirit s or its suppliers or subcontractors error or negligence (including, without limitation, acts of God, war, terrorist acts, fires, floods, epidemics, strikes, unusually severe weather, riots and acts of government), or by any material act or failure to act by Boeing, each being an excusable delay , then, subject to certain exceptions, Spirit s

delivery obligations will be extended. If delivery of any product is delayed by an excusable delay for more than three months, Boeing may cancel all or part of any order relating to the delayed products.

If delivery of any product constituting more than 25% of the shipset value for one or more models of program airplanes is delayed by an excusable delay for more than five months, Boeing may cancel the Sustaining SBP as it applies to such models of program airplanes, and neither party will have any liability to the other, other than as described in the above paragraph under the heading Events of Default and Remedies.

Suspension of Work. Boeing may at any time require Spirit to stop work on any order for up to 120 days. During such time, Boeing may either direct Spirit to resume work or cancel the work covered by such stop work order. If Boeing directs Spirit to resume work or the 120-day period expires, Spirit must resume work, the delivery schedule affected by the stop work order will be extended and Boeing must compensate Spirit for its reasonable direct costs incurred as a result of the stop work order.

Assignment. Spirit may not assign its rights under the Supply Agreement other than with Boeing s consent, which Boeing may not unreasonably withhold unless the assignment is to a disqualified person. A disqualified person is one: (1) whose principal business is as an OEM of commercial aircraft, space vehicles, satellites or defense systems; (2) that Boeing reasonably believes will not be able to perform its obligations under the Supply Agreement; (3) that, after giving effect to the transaction, would be a supplier of more than 40% by value of the major structural components of any Boeing program then in production; or (4) who is, or is an affiliate of, a commercial airplane operator or is one of five named corporate groups. Sale of majority voting power or of all or substantially all of Spirit s assets to a disqualified person is considered an assignment.

B787 Supply Agreement with Boeing

Overview. Spirit and Boeing also entered into a long-term supply agreement for Boeing s new B787 program, or the B787 Supply Agreement, which covers the life of the program and commercial derivatives. The B787 Supply Agreement is a requirements contract pursuant to which Spirit is Boeing s exclusive supplier for the forward fuselage, fixed and moveable leading wing edges, struts and related tooling for the B787. The B787 Supply Agreement does not provide for a minimum or maximum rate of production, but does acknowledge that Spirit will equip itself for a maximum rate of seven aircraft per month and will negotiate with Boeing regarding an equitable price adjustment if additional expenditures are required to increase the production rate above that level. Spirit is constructing facilities capable of producing ten airplanes per month. Additional capital expenditures would be needed for tooling and equipment to support a production rate above seven per month. Under the B787 Supply Agreement, Spirit also provides certain support, development and re-design engineering services to Boeing at an agreed hourly rate.

Pricing. Pricing for the B787-8, the base model currently going into production, is generally established through 2021, with prices decreasing as cumulative volume levels are met over the life of the program. Prices are subject to adjustment for abnormal inflation (above a specified level in any year) and for certain production, schedule and other changes. Prices for future commercial derivatives such as the B787-3, B787-9 and B787-10 will be negotiated in good faith by the parties on principles consistent with the terms of the B787 Supply Agreement as they relate to the B787-8 model of the B787.

Advance Payments. The B787 Supply Agreement requires Boeing to make advance payments to Spirit for production articles in the aggregate amount of $700 million. As of October 31, 2006, $500 million had been received by Spirit, and an additional $100 million will be advanced to Spirit in each of the remainder of 2006 and 2007. Spirit must repay these advances, without interest, in the amount of a $1.4 million offset against the purchase price of each of the first five hundred B787 shipsets delivered to Boeing. In the event that Boeing does not take delivery of five hundred B787 shipsets, any advances not then repaid will first be applied against any outstanding B787 payments then due by Boeing to Spirit, with any remaining balance repaid at the rate of $84 million per year beginning the month following Spirit s final delivery of a B787 production shipset to Boeing.

Termination of Airplane Program. If Boeing decides not to initiate or continue production of the B787 airplane program because Boeing determines, after consultation with Spirit, that there is an insufficient business basis for proceeding, Boeing may terminate the B787 airplane program, including any

orders, by written notice to Spirit. In the event of such a termination, Boeing will be liable to Spirit for costs incurred in connection with any orders issued prior to the date of the termination notice and may also be liable for certain termination costs and for compensation for any tools, raw materials or work-in-process requested by Boeing in connection with the termination.

Events of Default and Remedies. It is an event of default under the B787 Supply Agreement if Spirit:

(1) fails to deliver products as required by the B787 Supply Agreement;

(2) breaches the provisions of the B787 Supply Agreement relating to intellectual property and proprietary information;

(3) participates in the sale, purchase or manufacture of airplane parts without the required approval of the FAA or appropriate foreign regulatory agency;

(4) defaults under certain requirements to maintain a system of quality assurance;

(5) fails to comply with other obligations under the B787 Supply Agreement (which breach continues for more than 15 days after notice is received from Boeing);

(6) is unable to pay its debts as they become due, dissolves or declares bankruptcy;

(7) fails to comply with U.S. export control laws; or

(8) breaches the assignment provisions of the B787 Supply Agreement (which breach continues for more than 10 days after notice is received from Boeing).

If an event of default occurs, Boeing has the right to exercise various remedies set forth in the B787 Supply Agreement, including the right to manufacture or to otherwise obtain substitute products, cancel any or all outstanding orders under the B787 Supply Agreement and/or terminate the B787 Supply Agreement. Before terminating any order or the B787 Supply Agreement, Boeing is required to work with Spirit to attempt to agree on a satisfactory recovery plan. Boeing may also require Spirit to transfer tooling, raw material, work-in-process and other inventory and certain intellectual property to Boeing in return for reasonable compensation therefor.

Assignment. Spirit may not assign its rights under the B787 Supply Agreement or any related order other than with Boeing s consent, which Boeing may not unreasonably withhold unless the assignment is to a disqualified person. A disqualified person is one: (1) whose principal business is as an OEM of commercial aircraft, space vehicles, satellites or defense systems; (2) that Boeing reasonably believes will not be able to perform its obligations under the B787 Supply Agreement; (3) that, after giving effect to the transaction, would be a supplier of more than 40% by value of the major structural components of any Boeing program then in production; or (4) who is, or is an affiliate of, a commercial airplane operator or is one of five named corporate groups. Sale of majority voting power or of all or substantially all of Spirit s assets to a disqualified person is considered an assignment.

License of Intellectual Property

Supply Agreement. All technical work product and works of authorship produced by or for Spirit with respect to any work performed by or for Spirit pursuant to the Supply Agreement are the exclusive property of Boeing. All inventions conceived by or for Spirit with respect to any work performed by or for Spirit pursuant to the Supply Agreement and any patents claiming such inventions are the exclusive property of Spirit, except that Boeing will own any such inventions that Boeing reasonably believes are applicable to the B787 platform, and Boeing may seek patent protection for such B787 inventions or hold them as trade secrets, provided that, if Boeing does not seek patent protection, Spirit may do so.

Except as Boeing otherwise agrees, Spirit may only use Boeing proprietary information and materials (such as tangible and intangible confidential, proprietary and/or trade secret information and tooling) in the performance of its

obligations under the Supply Agreement. Spirit is prohibited from selling products manufactured using Boeing proprietary information and materials to any person other than Boeing without Boeing s authorization.

Spirit has granted to Boeing a license to Spirit proprietary information and materials and software and related products for use in connection with the testing, certification, use, sale or support of a product covered by the Supply Agreement, or the manufacture, testing, certification, use, sale or support of any aircraft including and/or utilizing a product covered by the Supply Agreement. Spirit has also granted to Boeing a license to use Spirit intellectual property to the extent such intellectual property interferes with Boeing s use of products or intellectual property belonging to Boeing under the Supply Agreement.

In order to protect Boeing against Spirit s default, Spirit has granted to Boeing a license, exercisable on such default to practice and/or use, and license for others to practice and/or use on Boeing s behalf, Spirit s intellectual property and tooling related to the development, production, maintenance or repair of products in connection with making, using and selling products. As a part of the foregoing license, Spirit must, at the written request of and at no additional cost to Boeing, promptly deliver to Boeing any such licensed property considered by Boeing to be necessary to exercise Boeing s rights under the license.

B787 Supply Agreement. The B787 Supply Agreement establishes three classifications for patented invention and proprietary information: (1) intellectual property developed by Spirit during activity under the B787 Supply Agreement, or Spirit IP; (2) intellectual property developed jointly by Boeing and Spirit during that activity, or Joint IP; and (3) all other intellectual property developed during activity under the B787 Supply Agreement, or Boeing IP.

Boeing may use Spirit IP for work on the B787 program and Spirit may license it to third parties for work on such program. Spirit may also not unreasonably withhold consent to the license of such intellectual property to third parties for work on other Boeing programs, provided that it may require a reasonable royalty to be paid and, with respect to commercial airplane programs, that Spirit has been offered an opportunity, to the extent commercially feasible, to work on such programs.

Each party is free to use Joint IP in connection with work on the B787 and other Boeing programs, but each must obtain the consent of the other to use it for other purposes. If either party wishes to license Joint IP to a third party for work on a Boeing program other than the B787, then the other party may require a reasonable royalty but may not unreasonably withhold its consent, as long as (if the program in question is another Boeing commercial airplane program) Spirit has been offered an opportunity, to the extent commercially feasible, to perform work for the particular program.

Spirit is entitled to use Boeing IP for the B787 program, and may require Boeing to license it to subcontractors for the same purpose.

Additional License From Boeing. Boeing has licensed certain intellectual property rights to Spirit under a Hardware Material Services General Terms Agreement, or HMSGTA, and four initial Supplemental License Agreements, or SLAs, under the HMSGTA. The HMSGTA and the initial SLAs grant Spirit licenses to use Boeing intellectual property to manufacture listed parts for the aftermarket and to perform maintenance, repair and overhaul, or MRO, of aircraft and aircraft components for customers other than Boeing. These agreements also permit Spirit to use know-how obtained by Spirit personnel prior to the closing of the Boeing Acquisition. Spirit also may obtain additional SLAs from Boeing and those SLAs will also supersede the restrictions on Spirit s use of Boeing s proprietary information and materials described above.

Our Products

We are organized into three principal reporting segments: (1) Fuselage Systems, which include the forward, mid-and rear fuselage sections, (2) Propulsion Systems, which include nacelles, struts/pylons and engine structural components and (3) Wing Systems, which include wings, wing components and flight control surfaces. All other activities fall within the All Other segment, principally made up of sundry sales of miscellaneous services and sales of natural gas through a tenancy-in-common with other Wichita companies. Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 49%, 27%, 23% and 1%, respectively, of our revenues for the quarter ended September 28, 2006.

Table of Contents

Commercial Aircraft Structures

We principally design, engineer and manufacture commercial aircraft structures such as fuselages, nacelles (including thrust reversers), struts/pylons, wings and wing assemblies and flight control surfaces. We are the largest independent supplier of aerostructures to both Boeing and Airbus. Sales related to large commercial aircraft production, some of which may be used in military applications, represent approximately 99% of our combined revenues for the nine months ended September 28, 2006.

Our structural components, in particular the forward fuselage and nacelles, are among the most complex and highly engineered structural components and represent a significant percentage of the costs of each aircraft. We are currently the sole source supplier of 96% of the products we sell to Boeing and Airbus, as measured by dollar value of products sold. We typically sell a package of aerostructure components, referred to as a shipset, to our customers.

The following table summarizes the major commercial (including regional and business jets) programs that we currently have under long-term contract by product and aircraft platform.

Product	Description	Aircraft Platform
Fuselage Systems		
Forward Fuselage	Forward section of fuselage which houses flight deck, passenger cabin and cargo area	B737, B747, B767, B777, B787
Other Fuselage Sections	Mid-section and other sections of the fuselage and certain other structural components, including floor beams	B737, B747, B777, Raytheon Hawker 800XP
Propulsion Systems		
Nacelles (including Thrust Reversers)	Aerodynamic structure surrounding engine	B737, B747, B767, B777
Struts/Pylons	Structure that connects engine to the wing	B737, B747, B767, B777, B787
Wing Systems		
Flight Control Surfaces	Flaps and slats	B737, B777, A320 family
Empennages	Horizontal stabilizer and vertical fin spar assemblies	B737, Raytheon Hawker 800XP
Wing Structures	Wing framework which consists mainly of spars, ribs, fixed leading edge, stringers, trailing edges and flap track beams	B737, B747, B767, B777, B787, A320 family, A330, A340, A380

In addition, we have recently won contracts for two other business jet packages on which we expect to commence deliveries in 2009 and 2011, respectively.

Table of Contents

Military Equipment

In addition to providing aerostructures to large commercial aircraft, we also design, engineer and manufacture structural components for military aircraft. We provide a significant amount of content for the 737 Wedgetail and have also been awarded a significant amount of work for the 737 MMA and 737 C40. The 737 Wedgetail, 737 MMA and 737 C40 are commercial aircraft modified for military use. Other military programs for which we provide products are KC-135, V-22 and AWACs (E-3).

The following table summarizes the major military programs that we currently have under long-term contract by product and military platform.

Product	Description	Military Platform
Low Observables	Radar absorbent and translucent materials	UCAS, Various
Other Military	Fabrication, bonding and assembly in support of various platforms	AWACS, AC-130U Gunship, V-22 and E-6
Other Military	Fabrication, testing, tooling, processing, engineering analysis, training	Various

Aftermarket

Although we primarily manufacture aerostructures for OEMs, we have a significant opportunity to increase our aftermarket sales on the products we manufacture. We have developed a direct sales and marketing channel for our aftermarket business. In September 2006, we entered into a five-year distribution agreement with Aviall Services, Inc., or Aviall, a provider of global parts distribution and supply chain services for the aerospace industry and a wholly-owned subsidiary of Boeing, pursuant to which Aviall will serve as our exclusive distributor of certain aftermarket products worldwide, excluding the United States and Canada. We have obtained parts manufacturing approvals from the FAA for 7,000 parts which allows us to sell spare parts directly to airlines and MRO organizations. In addition, all of our U.S. facilities are FAA repair station certified and have full technical capability to provide MRO services.

The following table summarizes our aftermarket products and services.

Product	Description	Aircraft Platform(1)
Spares	Provides replacement parts and components support	B737, B747, B767, B777, A320
Maintenance, Repair and Overhaul	FAA certified repair station that provides complete on-site nacelle repair and overhaul; maintains global partnerships to support MRO services	B737, B777

(1) The company also has the opportunity to produce spares for certain out-of-production aircraft and is under contract to provide spares for the B787 and A380.

Sales and Marketing

We have recently hired a Senior Vice President of Sales and Marketing, who focuses on building a broader customer base. Additionally, we expect to benefit from his established relationships with potential customers, as well as a deep knowledge of the aerospace industry. In addition, our executive officers and other key employees continue to build and maintain relationships with industry leaders to stay abreast of developing trends in the marketplace. Our

marketing group supports those efforts, analyzing potential

growth opportunities in our target markets, as well as the OEMs that we believe most strongly position us for success.

We have established a sales and marketing infrastructure to support our efforts to reach new customers, expand our business with existing customers and win new business in three sectors of the aerostructures industry: (1) commercial (including regional and business jets), (2) military and (3) the aftermarket. Our sales and marketing unit is comprised of approximately 12 employees. Our employees are organized by focus areas: a marketing team that performs research and analysis on market trends, sector strategies, customers and competitors, and a sales team led by sales directors assigned to establish and maintain relationships with each key customer. The sales and marketing team provides support and works closely with salespeople in the individual business units to ensure a consistent, single message approach with customers.

Due to (1) our long-term contracts with Boeing and Airbus on existing and new programs such as the B737, B787, A320 and A380, (2) the OEMs desire to limit supplier concentration, and (3) the industry practice of rarely changing a third party aerostructures supplier once a program has been implemented due to the high switching costs, we are able to minimize our marketing efforts on these specific programs. However, our marketing team continues to research and analyze trends in new product development and our sales team maintains regular contact with key Airbus and Boeing decision-makers in order to sustain strong relationships with, and position ourselves to win new business from, both companies.

Prior to the Boeing Acquisition, as an internal Boeing supplier, we were unable to pursue non-Boeing OEM business. As an independent company, we have significant opportunities to increase our sales to other OEMs in the commercial, military and business jet sectors. To win new customers, we market our mix of engineering expertise in the design and manufacture of aerostructures, our advanced manufacturing capabilities with both composites and metals, and our competitive cost structure.

We have established a customer contact database to maximize our interactions with existing and potential customers. We are also actively working to build positive identity and name recognition for the Spirit AeroStructures brand through advertising, trade shows, sponsorships and Spirit customer events.

Prior to the Boeing Acquisition, we were dependent upon Boeing s Commercial Aviation Services organization to provide entry into the aftermarket business. We are now able to provide aftermarket support directly to airlines and are in the process of developing the necessary expertise and customer relationships within this sector of the business.

Customers

Our primary customers are aircraft OEMs. Boeing and Airbus are our two largest customers, and we are the largest independent aerostructures supplier to both companies. We entered into long-term supply agreements with our customers to provide aerostructure products to aircraft programs. Currently, virtually all of the products we sell are under long-term contracts with 96% of those products, as measured by dollar value of product sold, supplied by us on a sole-sourced basis.

We have excellent relationships with our customers due to our diverse product offering, leading design and manufacturing capabilities using both metallic and composite materials, and competitive pricing. One of our competitive advantages is our strong relationships with our two largest customers.

Boeing. For the nine months ended September 28, 2006, approximately 92% of our revenues (approximately 89% of our combined revenues assuming the BAE Acquisition had occurred on January 1, 2006) were from sales to Boeing. We have a strong relationship with Boeing given our 75 year history as a Boeing division. Most of the senior management team are former Boeing executives who have strong embedded relationships with Boeing and continue to work closely with Boeing. As part of the Boeing Acquisition, we entered into a long-term supply agreement under which we are Boeing s exclusive supplier for substantially all of the products and services provided by Boeing Wichita prior to the Boeing Acquisition for the life of the programs. In addition, Boeing selected us to be the design leader for the Boeing B787 forward fuselage based in part on our strong expertise with composite technologies. We

believe our strong relationship with Boeing is unmatched in the industry and will allow us to continue to be an integral partner with Boeing in the designing, engineering and manufacturing of complex aerostructures.

Airbus. For the nine months ended September 28, 2006, approximately 10% of our combined revenues (assuming the BAE Acquisition occurred on January 1, 2006) were from sales to Airbus. As a result of the BAE Acquisition, we have become the largest independent aerostructures supplier to Airbus. Under our supply agreements with Airbus, we supply most of our products for the life of the aircraft program, including commercial derivative models, with pricing determined through 2010. For the A380, we have a long-term supply contract with Airbus that covers a fixed number of units. We believe we can leverage our relationship with Airbus and history of delivering high quality products to further increase our sales to Airbus and continue to partner with Airbus on new programs going forward.

Manufacturing and Engineering

Manufacturing

Our expertise is in designing, engineering and manufacturing large-scale, complex aerostructures. We maintain four state-of-the-art manufacturing facilities in Wichita, Kansas, Tulsa, Oklahoma, McAlester, Oklahoma, and Prestwick, Scotland (acquired in April 2006). Following the Boeing Acquisition, we realigned our manufacturing operations to reduce costs and improve efficiency. We reduced our workforce by 15% while increasing productivity, entered into new labor contracts with our unions that established wage levels that are in-line with the local market, changed work rules and significantly reduced the number of job categories, resulting in greater manufacturing flexibility in work assignments. Additionally, we are working to realign our supply base to more fully utilize low cost, capable suppliers. We continually strive to improve productivity and reduce costs.

Our manufacturing organization is organized through our four principal reporting segments: (1) Fuselage Systems, (2) Propulsion Systems, (3) Wing Systems and (4) All Other, which includes miscellaneous products and services, and two process centers: (1) fabrication manufacturing and (2) tooling manufacturing. The business units, process centers and support organizations work together as one cohesive team with a view to maximizing performance and efficiency throughout the manufacturing process. Our core manufacturing competencies include:

- composites design and manufacturing processes;
- leading mechanized and automated assembly and fastening techniques;
- large scale skin fabrication using both metallic and composite materials;
- chemical etching and metal bonding expertise;
- monolithic structures technology; and
- precision metal forming producing complex contoured shapes in sheet metal and extruded aluminum.

Our leading manufacturing expertise is supported by our state-of-the-art equipment. We have over 20,000 major pieces of equipment installed in our customized manufacturing facilities. For example, for the manufacture of the B787 composite forward fuselage, we installed a 30-foot diameter by 70-foot long autoclave which is one of the largest autoclaves in the world. An autoclave is an enclosure device that generates controlled internal heat and pressure conditions used to cure and bond certain resins, and which we use in the manufacture of composite structures. We intend to continue to make the appropriate investments in our facilities in order to support and maintain our industry-leading manufacturing expertise.

Engineering

We have approximately 800 engineering and technical employees, including over 200 degreed contract engineers. We also employ 22 technical fellows, who are experts in engineering and keep the company on the cutting edge of technology by producing technical solutions for new and existing products and

processes; eight FAA designated engineering representatives, or DERs, experienced engineers appointed by the FAA to approve engineering data used for certification; and nine authorized representatives, who possess the same qualifications and perform the same certification functions as DERs, but with authority from the Boeing Certification and Compliance organization. The primary purpose of the engineering organization is to provide continuous support for ongoing design, production and process improvements. We possess a broad base of engineering skills in metal and composite fabrication and assembly, chemical processing and finishing, tooling design and development, and quality and precision measurement technology, systems and controls.

Our engineering organization is composed of several groups, including (1) Structures Design and Drafting, which focuses on production support, customer introductions, design-for-manufacturing and major product derivatives, (2) Structures Technology, which focuses on overall structural integrity over the lifecycle of the airframe through stress and durability analysis, damage tolerance analysis and vibration testing, (3) Manufacturing Engineering, responsible for applying lean manufacturing techniques, interpreting design drawings and providing manufacturing sequence work plans, and (4) Liaison, Lab and Materials, Processes and Standards, which conducts research into defects discovered by quality assurance through analytical chemistry, metallurgical, static and dynamic testing and full-scale testing.

We believe our leading engineering capabilities are a key strategic differentiating factor between us and certain of our competitors.

Research and Development

We believe that world class research and development helps to maintain our position as an advanced partner to OEMs new product development teams. As a result, we spend a significant amount of capital and resources on our research and development, including approximately $85 million during the first nine months of 2006. Through our key research, we aim to develop unique intellectual property and technologies that will improve our OEM customers products and, at the same time, position us to win work on new products. Our development effort, which is an ongoing process that helps us drive down production costs and streamline manufacturing, is currently focused on preparing for initial production of new products and improving manufacturing processes on our current work.

Our research and development is geared toward the architectural design of our principal products: fuselages, propulsion systems and wing systems. We are currently focused on research in areas such as advanced metallic joining, low cost composites, acoustic attenuation, efficient structures, systems integration, advanced design and analysis methods, and new material systems. We collaborate with universities, research facilities and technology partners in our research and development.

Suppliers and Materials

The principal raw materials used in our manufacturing operations are aluminum, titanium, composites and stainless steel. We also use purchased products such as machined parts, sheet metal parts, non-metallic parts and assemblies. In addition, we purchase assemblies and subassemblies from various manufacturers which are used in the final aerostructure assembly.

Currently we have over 850 active suppliers with no one supplier representing more than 4% of our cost of goods sold. We have entered into long-term supply contracts with substantially all of our suppliers. Our exposure to rising raw material prices is somewhat limited due to such contracts under which we purchase most of our raw materials based on fixed pricing or at reduced rates through Boeing s or Airbus high volume purchase contracts.

Although we believe our material costs are competitive, we continue to seek ways to further reduce these costs. We have begun a global sourcing initiative to increase the amount of material sourced from low cost countries in Asia and Central Europe. Historically, Boeing Wichita and BAE Aerostructures purchased certain parts from other Boeing or BAE Systems facilities, respectively, since they operated as divisions of Boeing and BAE Systems, respectively. We believe we can achieve cost savings by reducing

the amount of parts that we purchase from Boeing and BAE Systems. Following the Boeing Acquisition, we have been free to contract with third parties for, or to produce internally, the parts historically supplied by Boeing. As our current supply contracts with business units of BAE Systems expire over the next several years, we expect to have similar opportunities with respect to those parts that we continue to source from BAE Systems.

Properties

The location, primary use, approximate square footage and ownership status of our principal properties as of October 31, 2006 are set forth below:

Location	Primary Use	Approximate Square Footage	Owned/Leased
United States			
Wichita, Kansas	Main Manufacturing Facility/Offices/Warehouse	10.8 million	Owned*/Leased*
Tulsa, Oklahoma	Manufacturing Facility	1.6 million	Leased
Tulsa, Oklahoma	Offices/Warehouse	108,455	Leased
McAlester, Oklahoma	Manufacturing Facility	135,000	Owned
United Kingdom			
Prestwick, Scotland	Manufacturing Facility	1.1 million	Owned
Samlesbury, England	Offices	15,919	Leased

* A portion of the Wichita facility is owned and a portion is leased.

Our physical assets consist of 13.6 million square feet of building space located on 946 acres in six facilities. We produce our fuselages, propulsion systems and wing systems from our main manufacturing facility located in Wichita, Kansas and we also produce wing systems in our manufacturing facilities in Tulsa, Oklahoma and Prestwick, Scotland. In addition to these three sites, we have a facility located in McAlester, Oklahoma dedicated to supplying the Tulsa facility and office space in Samlesbury, England, where a number of Spirit Europe s employees are located. The Wichita facilities are owned or leased, the Tulsa facility is leased from the city of Tulsa and the Tulsa Airports Improvement Trust, the Prestwick facility is owned, the McAlester facility is owned, and the Samlesbury facility is leased.

The Wichita facility, including the headquarters, comprises 616 acres, 6.0 million square feet of manufacturing space, 1.3 million square feet of offices and laboratories for the engineering and design group and 3.5 million square feet for support functions and warehouses. A total of 821,000 square feet is currently vacant (of which 194,000 square feet is being customized for the B787). Additionally, a 127,000 square foot expansion of our Composites Fuselage Facility to support the B787 was completed in August 2006. The Wichita site has access to transportation by rail, road and air. For air cargo, the Wichita site has access to the runways of the McConnell Air Force Base. We have renewed a lease as of July 1, 2006 for 135,000 square feet of manufacturing space at our Wichita, Kansas facility for a five-year term. We have also acquired a new 101,000 square foot lease adjacent to the plant for tool storage.

The Tulsa facility consists of 1.6 million square feet of building space set on 135 acres. The Tulsa plant is located five miles from an international shipping port and is located next to the Tulsa International Airport. In addition, we entered into an eighteen month lease effective August 16, 2006 for 108,455 square feet of warehousing space located near our Tulsa plant. The McAlester site, which manufactures parts and sub-assemblies primarily for the Tulsa facility, consists of 135,000 square feet of building space on 92 acres.

The Prestwick facility consists of 1.1 million square feet of building space, comprised of 0.7 million square feet of manufacturing space, 0.2 million square feet of office space, and 0.2 million square feet of office/support space. This facility is set on 100 acres. The Prestwick plant is located on the west coast of

Table of Contents

Scotland, approximately 33 miles south of Glasgow, within close proximity to the motorway network that provides access between England and continental Europe. It is also easily accessible by air (at Prestwick International Airport) or by sea. We lease a portion of our Prestwick facility to the Regional Aircraft division of BAE Systems and certain other tenants.

The Wichita and Tulsa manufacturing facilities have significant scale in order to accommodate the very large structures that are manufactured there, including entire fuselages. The three U.S. facilities are in close proximity, with approximately 175 miles between Wichita and Tulsa and 90 miles between Tulsa and McAlester. Currently, the three U.S. facilities utilize approximately 90% of the available building space. The Prestwick manufacturing facility currently utilizes only 49% of the space; of the remaining space, 27% is leased and 24% is vacant. The Samlesbury office space is located in North Lancashire, England, approximately 195 miles south of Prestwick.

Environmental Matters

Our operations and facilities are subject to various environmental laws and regulations governing, among other matters, the emission, discharge, handling and disposal of hazardous materials, the investigation and remediation of contaminated sites, and permits required in connection with our operations. Our operations are designed, maintained and operated to promote protection of human health and the environment. Although we believe that our operations and facilities are in material compliance with applicable environmental and worker protection laws and regulations, management cannot provide assurance that future changes in such laws, or in the nature of our operations will not require us to make significant additional expenditures to ensure continued compliance. Further, we could incur substantial costs, including cleanup costs, fines and sanctions, and third party property damage or personal injury claims as a result of violations of or liabilities under environmental laws, relevant common law or the environmental permits required for our operations.

United States

Under some environmental laws in the United States, a current or previous owner or operator of a contaminated site may be held liable for the entire cost of investigation, removal or remediation of hazardous materials at such property, whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous materials. Persons who arrange for disposal or treatment of hazardous materials also may be liable for the costs of investigation, removal or remediation of those substances at a disposal or treatment site, regardless of whether the affected site is owned or operated by them. Because we own and/or operate a number of facilities that have a history of industrial or commercial use and because we arrange for the disposal of hazardous materials at many disposal sites, we may and do incur costs for investigation, removal and remediation.

The Asset Purchase Agreement provides, with limited exceptions, that Boeing is responsible for environmental liabilities relating to conditions existing at the Wichita, Kansas and Tulsa and McAlester, Oklahoma facilities at the time of the Boeing Acquisition. For example, Boeing is subject to an administrative consent order issued by the KDHE to contain and clean-up contaminated groundwater which underlies a majority of the Wichita site. Pursuant to the KDHE order, Boeing has a long-term remediation plan in place, and containment and remediation efforts are underway. We are responsible for any environmental conditions that we cause at these facilities after the closing of the Boeing Acquisition.

United Kingdom

In the United Kingdom, remediation of contaminated land may be compelled by the government in certain situations. If a property is to be redeveloped, in its planning role, the local authority may require remediation as a condition to issuing a permit. In addition, in situations in which the contamination is causing harm to human health or polluting the environment, the local authority may use its environmental legislative powers to force remediation so that the environmental standards are suitable for use. If contamination is polluting the property of a third party or causing loss, injury or damage, the third party

Table of Contents

may file an action in common law based on negligence or nuisance to recover the value of the loss, injury or damage sustained.

Prestwick Facility. BAE Systems indemnified us for any clean-up costs for environmental liabilities caused by existing pollution on the Prestwick facility, existing pollution that migrates from the Prestwick facility to a third party s property and any pollution that migrates to the Prestwick facility from the property retained by BAE Systems. Subject to certain exceptions, the indemnity extends until April 1, 2013 and is limited to £40 million. BAE Systems has undertaken a solvent emission program. If the program does not enable compliance with the European Solvent Emission Directive currently in effect, BAE Systems may be required to install additional abatement technology such as a thermal oxidizer.

Competition

Although we are the largest aerostructures supplier with a 19% market share, the aerostructures market remains highly fragmented. Competition in the aerostructures market is intense. Our primary competition comes from either work performed by internal divisions of OEMs or third-party aerostructures suppliers.

Our principal competitors among OEMs may include Airbus S.A.S., Boeing, Dassault Aviation, Embraer Brazilian Aviation Co., Gulfstream Aerospace Co., Lockheed Martin Corp., Northrop Grumman Corporation, Raytheon Company and Textron Inc. These OEMs may choose not to outsource production of aerostructures due to, among other things, their own direct labor and other overhead considerations and capacity utilization at their own facilities. Consequently, traditional factors affecting competition, such as price and quality of service, may not be significant determinants when OEMs decide whether to produce a part in-house or to outsource.

Our principal competitors among non-OEM aerostructures suppliers are Alenia Aeronautica, Fuji Aerospace Technology Co., Ltd., GKN Aerospace, The Goodrich Corporation, Kawasaki Precision Machinery (U.S.A.), Inc., Mitsubishi Electric Corporation, Saab AB, Snecma, Triumph Group, Inc. and Vought Aircraft Industries. Our ability to compete for new aerostructures contracts depends upon (1) our design, engineering and manufacturing capabilities, (2) our underlying cost structure, (3) our relationship with OEMs, and (4) our available manufacturing capacity.

Employees

As of October 15, 2006, we had approximately 11,600 employees, including contract labor, located in our three U.S. facilities. Approximately 81% of our U.S. employees are represented by five unions. All of our unions in the U.S. have entered into new collective bargaining agreements since the time of the Boeing Acquisition, with an average duration of five years. Our largest union is the IAM which represents approximately 5,500 employees or 47% of the workforce. This union contract is in effect through June 25, 2010. The Society of Professional Engineering Employees in Aerospace Wichita Technical and Professional Unit represents approximately 2,200 employees or 19% of the workforce. The union contract is in effect through July 11, 2011. The International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW), or UAW, represents approximately 900 employees or 8% of the workforce. The union contract is in effect through November 30, 2010. The Society of Professional Engineering Employees in Aerospace Wichita Engineering Unit represents approximately 590 employees or 5% of the workforce. The union contract is in effect through July 11, 2009. The International Brotherhood of Electrical Workers, or IBEW, represents approximately 175 employees or 2% of the workforce. The union contract is in effect through September 17, 2010.

Under each of our U.S. collective bargaining agreements, we are required to meet with collective bargaining agents for the union three years after ratification of the agreement to discuss the terms and conditions of the agreement. However, we have no obligation to agree to any changes to the terms and conditions of the agreement and employees have no right to strike in the event we do not agree to any such changes.

As of October 15, 2006, we had approximately 880 employees located in our two U.K. facilities. Approximately 76% or 675 of our U.K. employees are represented by one union, Amicus. We have entered into a labor agreement with Amicus, which terms are generally negotiated on a yearly basis. Wages are typically the subject of our negotiations, while the other terms usually remain the same from year to year until both parties agree to change them (either separately or in the aggregate).

We consider our relationships with our employees to be satisfactory.

Union Equity Participation Plan. We have established a Union Equity Participation Plan pursuant to which we will issue stock appreciation rights tied to the value of our class B common stock for the benefit of certain of our employees represented by the IAM, IBEW and UAW. The stock appreciation rights will entitle certain of these employees to receive proceeds, which may, at our option, be in the form of cash or shares of our common stock, upon the occurrence of the first to occur of certain events, including the consummation of this offering. Generally, former Boeing employees represented by one of these unions whom we hired effective on the first day following the Boeing Acquisition and who were employed by us for at least three consecutive months between the closing of the Boeing Acquisition and December 31, 2005, or approximately 4,850 employees, may be eligible to receive a portion of the proceeds of the stock appreciation rights to be paid to union employees as a result of the consummation of this offering. Upon the consummation of this offering, based on an assumed initial public offering price of $24.00 per share, the midpoint of the range on the cover of this prospectus, the stock appreciation rights will entitle the employees to receive a total of approximately $270.2 million, all or any portion of which may be paid by us, at our option, in shares of class A common stock, valued at the public offering price. We currently anticipate paying approximately 44.5% of such amount in shares of class A common stock, through the issuance of approximately 5,006,829 shares, which we expect to issue on or prior to March 15, 2007. The remainder will be paid in cash from a portion of the proceeds of this offering and available cash. The Union Equity Participation Plan and any outstanding stock appreciation rights thereunder will terminate following the consummation of this offering and the payment of the proceeds of the stock appreciation rights to the employees.

Backlog

For a description of our backlog, see Management s Discussion and Analysis of Financial Condition and Results of Operations Backlog.

Legal Proceedings

We are from time to time subject to, and are presently involved in, litigation or other legal proceedings arising in the ordinary course of business. In the opinion of management, we are not engaged in any legal proceedings that we expect will have, individually or in the aggregate, a material adverse effect on our business, financial condition, cash flows, results of operations or liquidity, other than as set forth below.

From time to time, in the ordinary course of business and like others in the industry, we receive requests for information from government agencies in connection with their regulatory or investigational authority. Such requests can include subpoenas or demand letters for documents to assist the government in audits or investigations. We review such requests and notices and take appropriate action. We have been subject to certain requests for information and investigations in the past and could be subject to such requests for information and investigations in the future.

On December 19, 2005, an action entitled *Perry Apsley et al. v. The Boeing Company, Onex Corporation and Spirit AeroSystems, Inc.* was filed in the U.S. District Court for the District of Kansas. The plaintiffs served us and the other defendants in early March 2006. The plaintiffs assert several claims and purport to bring the case as a class action and collective action on behalf of all individuals who were employed by Boeing (BCA) in Wichita, Kansas or Tulsa, Oklahoma within two years prior to the date of the Boeing Acquisition and who were terminated or not hired by Spirit. The plaintiffs seek damages and injunctive relief for age discrimination, interference with ERISA rights, breach of contract and retaliation. Plaintiffs seek an unspecified amount of compensatory damages and more than $1.5 billion in punitive

damages. On November 15, 2006, the court granted the plaintiffs motion for conditional class certification and held that the plaintiffs may send notice of the collective action to all former Boeing employees who were terminated by Boeing on or after January 1, 2002, were 40 years of age or older at the time of termination and were not hired by Spirit. Pursuant to the Asset Purchase Agreement, we agreed to indemnify Boeing for damages resulting from the employment decisions that were made by us with respect to former employees of Boeing Wichita which relate or allegedly relate to the involvement of, or consultation with, employees of Boeing in such employment decisions.

During the period from July 2005 through March 2006, approximately 35 former Boeing employees who worked in Tulsa and McAlester, Oklahoma filed discrimination complaints against Spirit, Onex and Boeing with the Equal Employment Opportunity Commission, or EEOC, in Oklahoma City, Oklahoma claiming age, retaliation, disability and other types of discrimination as a result of their not being hired by Spirit at the time of the Boeing Acquisition. Spirit responded to the 35 individual complaints. The EEOC has issued a notice of right to sue in 34 of the complaints and stated that it was unable to conclude that the information establishes violations of the statutes. It continues to investigate the remaining complaint.

In December 2005, a federal grand jury sitting in Topeka, Kansas issued subpoenas regarding the vapor degreasing equipment at our Wichita, Kansas facility. The government s investigation appears to focus on whether the degreasers were operating within permit parameters and whether chemical wastes from the degreasers were disposed of properly. The subpoenas cover a time period both before and after our purchase of the Wichita, Kansas facility. Subpoenas were issued to Boeing, Spirit and individuals who were employed by Boeing prior to the Boeing Acquisition but are now employed by us. We are in the process of responding to the subpoena and are cooperating with the government s investigation. At this time, we do not have enough information to make any predictions about the outcome of this matter.

Airbus has filed oppositions to six European patents originally issued to or applied for by Boeing and acquired by Spirit in the Boeing Acquisition. Airbus claims that the subject matter in these patents is not patentable because of a lack of novelty and a lack of inventive activity. Responses to three of the Airbus oppositions have been filed. Spirit s response to a fourth opposition is due on November 19, 2006. After Spirit responds, the European Patent Office, or EPO, will issue a preliminary opinion. If the opinion does not resolve all issues, then the parties will participate in oral proceedings before a three member board of the EPO. The decision of the board is appealable. The remaining two patents have gone before the three panel board. In one case the patent was maintained without amendments to the claims. On the second patent, the board accepted the claims with limitation and Spirit has appealed. Spirit is awaiting confirmation of whether Airbus has appealed either decision.

Government Contracts

Companies engaged in supplying defense-related equipment and services to U.S. government agencies, either directly or by subcontract, are subject to business risks specific to the defense industry. These risks include the ability of the U.S. government to unilaterally: (1) suspend or debar us from receiving new prime contracts or subcontracts; (2) terminate existing contracts; (3) reduce the value of existing contracts; (4) audit our contract-related costs and fees, including allocated indirect costs; and (5) control and potentially prohibit the export of our products.

Most U.S. government contracts for which we subcontract can be terminated by the U.S. government either for its convenience or if the prime contractor defaults by failing to perform under the contract. In addition, the prime contractor typically has the right to terminate our subcontract for its convenience or if we default by failing to perform under the subcontract. Termination for convenience provisions generally provide only for our recovery of costs incurred or committed, settlement expenses and profit on the work completed prior to termination. Termination for default provisions generally provide for the subcontractor to be liable for excess costs incurred by the prime contractor in procuring undelivered items from another source.

Foreign Ownership, Control or Influence

Under the U.S. Government s National Industry Security Program Operating Manual, or NISPOM, the U.S. government will not award contracts to companies under foreign ownership, control or influence, or FOCI, where DoD Facility Security Clearances, or FSC, are required, unless certain mitigation measures are put in place. The purpose of the FOCI mitigation measures is to protect cleared U.S. defense contractors against improper FOCI.

We have been cleared to the secret level under a Special Security Agreement, or SSA, which is one of the recognized FOCI mitigation measures under the NISPOM. As a cleared entity, we must comply with the requirements of our SSA, the NISPOM and any other applicable U.S. government industrial security regulations (which could apply depending on our contracts). Failure to follow the requirements of the SSA, the NISPOM or any other applicable U.S. government industrial security regulations could, among other things, result in termination of our FSC, which in turn would preclude us from being awarded classified contracts or, under certain circumstances, performing on our existing classified contracts.

Governmental Regulations

The commercial aircraft component industry is highly regulated by both the FAA in the United States, the JAA in Europe and other agencies throughout the world. The military aircraft component industry is governed by military quality specifications. We, and the components we manufacture, are required to be certified by one or more of these entities or agencies, and, in some cases, by individual OEMs, in order to engineer and service parts and components used in specific aircraft models.

We must also satisfy the requirements of our customers, including OEMs and airlines that are subject to FAA regulations, and provide these customers with products and services that comply with the government regulations applicable to commercial flight operations. In addition, the FAA requires that various maintenance routines be performed on aircraft components. We believe that we currently satisfy or exceed these maintenance standards in our repair and overhaul services. We also maintain several FAA approved repair stations.

The technical data and components used in the manufacture and production of our products, as well as many of the products and technical data we export, either as individual items or as components incorporated into aircraft, are subject to compliance with U.S. export control laws. Collaborative agreements that we may have with foreign persons, including manufacturers or suppliers, are also subject to U.S. export control laws.

Our operations are also subject to a variety of worker and community safety laws. The Occupational Safety and Health Act, or OSHA, mandates general requirements for safe workplaces for all employees. In addition, OSHA provides special procedures and measures for the handling of certain hazardous and toxic substances. Our management believes that our operations are in material compliance with OSHA s health and safety requirements.

Table of Contents

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding the persons who currently serve as executive officers and directors of Spirit Holdings. Each director will hold office until our next annual meeting of stockholders, at which directors will be elected for a term of one year.

Name	Age	Position
Jeffrey L. Turner	55	Director, President and Chief Executive Officer
Ulrich (Rick) Schmidt	57	Executive Vice President, Chief Financial Officer and Treasurer
Ronald C. Brunton	58	Executive Vice President and Chief Operating Officer
H. David Walker	55	Senior Vice President Sales and Marketing
Gloria Farha Flentje	63	Vice President, General Counsel and Secretary
Janet S. Nicolson	50	Senior Vice President, Human Resources
John Lewelling	46	Senior Vice President, Strategy and Information Technology
Richard Buchanan	56	Vice President/General Manager of Fuselage Structures/Systems Business Unit
Michael G. King	50	Vice President/General Manager of the Propulsion Structures and Systems Business Unit
Neil McManus	40	Vice President and Managing Director, Spirit AeroSystems (Europe) Limited
Donald R. Carlisle	53	Vice President/General Manager of Aerostructures Business Unit
Ivor (Ike) Evans	64	Director
Paul Fulchino	60	Director
Richard Gephardt	65	Director
Robert Johnson	59	Director
Ronald Kadish	58	Director
Cornelius (Connie Mack) McGillicuddy, III	66	Director
Seth Mersky	47	Director
Francis Raborn	62	Director
Nigel Wright	43	Director

Executive Officers

Jeffrey L. Turner. Mr. Turner has been the President and Chief Executive Officer of Spirit Holdings since June 2006 and became a director of Spirit Holdings on November 15, 2006. Since June 16, 2005, the date of the Boeing Acquisition, he has also served in such capacities for Spirit. Mr. Turner joined Boeing in 1973 and was appointed Vice President General Manager in November 1995. Mr. Turner received his Bachelor of Science in Mathematics and Computer Science and his M.S. in Engineering Management Science, both from Wichita State University. He was selected as a Boeing Sloan Fellow to the Massachusetts Institute of Technology s (MIT) Sloan School of Management where he earned a Master s Degree in Management.

Ulrich (Rick) Schmidt. Mr. Schmidt has been the Executive Vice President, Chief Financial Officer and Treasurer of Spirit Holdings since June 2006. He has also served in such capacities for Spirit since August 2005. Previously, Mr. Schmidt was the Executive Vice President and Chief Financial Officer of the Goodrich Corporation from October 2000 until August 2005. Mr. Schmidt received his Bachelor of Arts and Masters of Business from Michigan State University.

Ronald C. Brunton. Mr. Brunton became the Executive Vice President and Chief Operating Officer of Spirit Holdings on November 15, 2006. Since the date of the Boeing Acquisition, he has served in this capacity for Spirit. Mr. Brunton joined Boeing in 1983 and was appointed Vice President of Manufacturing in December 2000. Mr. Brunton received his Bachelor of Science in Mechanical Engineering and equivalent undergraduate in Business from Wichita State University.

H. David Walker. Mr. Walker became the Senior Vice President of Sales/Marketing of Spirit Holdings on November 15, 2006. Mr. Walker joined Spirit in September 2005 in these same capacities. From 2003 through September 2005, Mr. Walker was Vice President of Vought Aircraft Industries. Mr. Walker served as the Vice President/General Manager of The Aerostructures Corp. from 2002 until 2003 and served as Vice President of Programs and Marketing from 1997 through 2002. Mr. Walker received his BEME and MSME from Vanderbilt University.

Gloria Farha Flentje. Ms. Flentje became the Vice President, General Counsel and Secretary of Spirit Holdings on November 15, 2006. Since the date of the Boeing Acquisition, she has served in these capacities for Spirit. Prior to the Boeing Acquisition, she worked for Boeing as Chief Legal Counsel for five years. Prior to joining Boeing, she was a partner in the Wichita, Kansas law firm of Foulston & Siefkin, L.L.P., where she represented numerous clients, including Boeing, on employment and labor matters and school law issues. Ms. Flentje graduated from the University of Kansas with a Bachelor of Arts in Mathematics and International Relations. She received her J.D. from Southern Illinois University.

Janet S. Nicolson. Ms. Nicolson became the Senior Vice President of Human Resources of Spirit Holdings on November 15, 2006. Since the beginning of 2006, she has served in this capacity for Spirit and is responsible for all aspects of human resources and labor relations. Prior to joining Spirit, Ms. Nicolson was a principal with Mercer Human Resource Consulting, one of the largest global Human Resources consulting firms, from January 2001 to December 2005. From 1998 to 2001, she served as Vice President Human Resources with Allied Worldwide, a global logistics and transportation company. Her corporate human resources experience includes executive and leadership positions with diverse organizations such as PepsiCo, SIRVA, North American Van Lines, Norfolk Southern Corporation and United Technologies. She holds a Bachelor of Science degree in Business from Concordia University and a Master s degree in Human Resources from Pennsylvania State University.

John Lewelling. Mr. Lewelling became the Senior Vice President, Strategy and Information Technology of Spirit Holdings on November 15, 2006. Since February 2006, he has served in this capacity for Spirit. Prior to joining Spirit, Mr. Lewelling was the Chief Operating Officer of GVW Holdings from 2004 to 2006. Mr. Lewelling was a Managing Director with AlixPartners from 2002 to 2003. Prior to that, he was a Partner with AT Kearney from 1999 to 2002. Mr. Lewelling received his Bachelor of Science degree in Materials and Logistics Management with a dual focus in Industrial Engineering and Business from Michigan State University.

Richard Buchanan. Mr. Buchanan became the Vice President/General Manager of Fuselage Structures/Systems Business Unit of Spirit Holdings on November 15, 2006. Since the date of the Boeing Acquisition, he has served in this capacity for Spirit. Prior to the Boeing Acquisition, he was employed by Boeing for more than 20 years, all of which were spent at Boeing Wichita. During his tenure with Boeing, Mr. Buchanan held the positions of Director for SubAssembly/ Lot Time, Director for Light Structures, and the Director and Leader of B737 Structures Value Chain. Mr. Buchanan is a graduate of Friends University with a Bachelor of Science degree in Human Resource Management.

Michael G. King. Mr. King became the Vice President/General Manager of the Propulsion Structures and Systems Business Unit of Spirit Holdings on November 15, 2006. Since the date of the

Table of Contents

Boeing Acquisition, he has served in this capacity for Spirit. Prior to the Boeing Acquisition, Mr. King worked for Boeing for 24 years, from 1980 until 2005. From 1996 until 2002, he worked at Boeing s Machining Fabrication Manufacturing Business Unit with responsibility for production of complex machined detail parts and assemblies for all commercial airplane models. In 2002, Mr. King became the director of the Strut, Nacelle and Composite Responsibility Center at Boeing. Mr. King earned an Associate of Arts degree from Butler County Community College. He completed his Bachelor of Science in Manufacturing Technology through Southwestern College and received a Mini-MBA through Wichita State University.

Neil McManus. Mr. McManus is the Vice President and Managing Director of Spirit AeroSystems (Europe) Limited. Since the date of the BAE Acquisition, he has served in that capacity for Spirit Europe. Mr. McManus joined BAE Aerostructures in 1986 and was appointed Managing Director Aerostructures in January 2003. Mr. McManus was educated at Loughborough University of Science and Technology, where he received his Bachelor of Science Honors Degree in Engineering Manufacturing and a diploma in Industrial Studies.

Donald R. Carlisle. Mr. Carlisle became the Vice President/General Manager of the AeroStructures Business Unit of Spirit Holdings on November 15, 2006. Since the date of the Boeing Acquisition, he has served in this capacity for Spirit and is responsible for the design and manufacture of major aerostructure products for commercial and military aerospace programs. Mr. Carlisle served as Managing Director of Boeing s Tulsa and McAlester, Oklahoma plants from 2002 until the Boeing Acquisition. Prior to that assignment, he was managing director of Boeing s Tulsa Division with responsibility for plants in Tennessee, Arkansas and Oklahoma. Mr. Carlisle has over 30 years of leadership experience in a wide range of aerospace business assignments with Cessna, Martin Marietta, Rockwell International and Boeing including production engineering, operations, product and business development, program management and sales and marketing for both government and commercial programs.

Key Employees

Robert J. Waner. Mr. Waner, 65, became the Senior Vice President and Chief Technology Officer of Spirit H