



March 28, 2011

The Honorable Chip Cravaack
508 Cannon House Office Building
Washington, DC 20515

Dear Congressman Cravaack:

On behalf of Cirrus Industries, Inc. ("Cirrus"), I am responding to your letter of March 25, 2011 to Secretary of Treasury Timothy F. Geithner, a copy of which was provided to me by a member of the press. As we have communicated to your office previously, Cirrus and China Aviation Industry General Aircraft Co., Ltd. ("CAIGA") have agreed to a plan of merger which would result in CAIGA becoming the indirect, sole owner of Cirrus. We have reached out to your office on several occasions to ensure you were aware of this transaction and to answer any questions you may have. In fact, to ensure that the United States Government understands the nature of the transaction and to address any issues of concern that may arise, Cirrus and CAIGA also voluntarily submitted notice of this transaction to the Committee on Foreign Investment in the United States ("CFIUS"). In that process we have been asked numerous questions about the transaction and are pleased to respond to any questions that members of CFIUS may have.

In a continued effort to ensure that the people of the 8th District of Minnesota, where Cirrus makes its home, have accurate and complete information about the transaction, I am responding to assertions made in your letter to Secretary Geithner. In sum, this merger transaction will transfer none of the technologies that your letter references, and the planned transaction is needed to preserve U.S. jobs at Cirrus.

As we have informed your office in our previous communications, Cirrus is only too aware of the economic difficulties of Minnesota businesses and families resulting from the recent economic recession. The aviation sector, like many others, was hard hit and saw sharp declines in sales revenue as market demand contracted. During this time, Cirrus has been looking for an investor that would provide Cirrus with much needed working capital, support Cirrus' product line for the many loyal customers who have purchased Cirrus aircraft over the years, help to maintain its competitive advantage, and, importantly, to preserve jobs in Duluth, Minnesota. CAIGA's offer will address these needs. There have been many reports about multiple serious offers received by Cirrus. We can assure you that these reports are inaccurate. Cirrus believes that CAIGA's offer provides the best means to preserve Cirrus jobs in Minnesota.

Even if you were to doubt the veracity of our statements, there are business reasons why it does not make sense to move Cirrus jobs from the United States. Moving production from the United States to China would result in higher operating costs due to the incremental cost of disassembly, shipping, and reassembly to deliver airplanes to our markets in the United States, Latin America, and Europe that far outweigh any potential reduction in labor costs. Furthermore, Cirrus' FAA-certified production and quality system would take years and tens of millions of dollars to re-create in China. Thus, this transaction not only will preserve thousands of jobs in Minnesota at Cirrus and among Cirrus suppliers, but also will provide much-needed investment to increase the number of high value production and aerospace R&D jobs at Cirrus through higher production volume and continued product development.

With respect to the concerns you raise about the transfer of technology as a result of the proposed transaction, I also would like to take this opportunity to provide you with more accurate and complete facts. As you know, Cirrus is a manufacturer of small single-engine, two-to-four seat general aviation aircraft for the personal transportation market. Our customers are primarily private individuals and businesses who fly our aircraft into small municipal and private airports. Thus, while we are proud of our products and believe they represent the best of our market segment, the technology employed is not at the same level of sophistication or advancement as the technology employed by aircraft manufacturers in the larger commercial jet market. CAIGA, the company that would be acquiring Cirrus, also is in the general aviation aircraft market segment. With this as a back drop, the following specifically responds to the assertions made in your letter:

First, you indicate concern about the transfer of Cirrus' "carbon composite materials fabrication platform" to CAIGA. The airframes of Cirrus' current aircraft models—the SR20, SR22, and SR22 Turbo—are not made from carbon fiber composites. Instead, they are made from fiberglass composites—the same material used in hulls of speedboats and windmill blades. The fiberglass materials Cirrus uses to manufacture its airframe parts are not controlled for export to China. While three non-airframe parts of Cirrus' aircraft are made from carbon fiber composites, two of these parts are not manufactured by Cirrus. Rather, they are purchased as finished aircraft parts from third party suppliers. In addition, Cirrus' manufacture of composite parts employs very basic manufacturing techniques, which include laying up the preimpregnated composite materials that Cirrus purchases from third party suppliers onto tooling and vacuum bagging the parts to cure the resin. Cirrus' technology does not include advanced manufacturing techniques such as automatic tape laying or autoclave curing of parts. Moreover, the fiberglass epoxy composite materials cannot be used in high temperature environments, which make them unsuitable for many military applications. Technology used by Cirrus to manufacture composite parts for its aircraft has been available in China for several years. In fact, the Boeing Company has been producing carbon fiber composite aircraft parts at its joint venture facilities in China, including the 787 composite rudder with Chengdu Aircraft Industrial (Group) Co. Ltd, an affiliate of the Aviation Industry Corporation of China ("AVIC"), and the 787 wing-to-body fairing panels with Hafei Aviation Industry Co., Ltd., also an affiliate of AVIC. See http://www.boeing.com/news/releases/2005/q2/nr_050602g.html

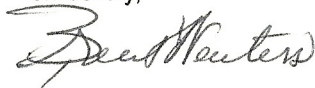
Second, you raise concern about China gaining access to a Williams International turbofan engine and Full Authority Digital Engine Control ("FADEC") with its acquisition of Cirrus. At the outset, it is important to know that the FJ33 and FJ44 family of engines are civil-certified engines and are not controlled by the U.S. Government for export to China. Moreover, Cirrus' current production aircraft are two-to-four seat personal aircraft with piston engines; thus, Cirrus' current products do not include a gas turbine engine. While Cirrus has selected the Williams International FJ33 engine as the power plant for its small personal jet aircraft, which is called the Cirrus Vision SF50, this program is in the prototype/design phase. Consequently, Cirrus currently owns only one FJ33 engine. Even if the jet design is completed and Cirrus begins to manufacture the aircraft, Cirrus is not the engine or FADEC manufacturer. Thus, Cirrus does not have access to the detailed design or production technology related to the engine or FADEC—that technology is the intellectual property of Williams International. You also mention the FJ44 engine in your letter to Secretary Geithner. Although Cirrus has not selected this engine for its SF50 jet, this engine is in wide commercial use in aircraft such as the Cessna CJ family of jets, the Beechcraft Premier II, the Clifford Citation II, and the Piper

Jet. Thus, if China wanted to acquire these engines for reverse engineering purposes, it could simply purchase one of these engines outright or one of these commercially available aircraft, which also are not controlled for export to China.

Third, you state that Cirrus' "solid-fuel rocket powered ballistic recovery system" may be controlled by the State Department under the United States Munitions List ("USML"). The Cirrus Airframe Parachute System ("CAPS")™ is a life-saving emergency safety system that is used to recover the aircraft and its occupants in an emergency situation by lowering the aircraft to the ground at a descent rate that should allow for a survivable touchdown. The CAPS™ system achieves this important objective by using a manually activated rocket to rapidly extract a parachute away from the aircraft. The U.S. State Department has previously determined that because of the small quantity of propellant used by the rocket, the encapsulated form in which it is sold, and the commercial preponderance of sales, the CAPS™ is not controlled under the USML. Rather, it is subject to regulation by the Commerce Department and would not be controlled for export to China. While the propellant for the rocket motor, when it is in bulk form, is subject to control under the USML, Cirrus is divesting the propellant manufacturing assets, including all related technical data, as a condition to closing the acquisition transaction. Thus, CAIGA will not acquire any technology subject to the USML.

I hope that this information addresses your concerns. We stand ready to assist you or your staff with any additional questions you may have.

Sincerely,



Brent Wouters
President & CEO

cc: The Honorable Timothy F. Geithner, Secretary of the Treasury
The Honorable John Mica, Chairman of Transportation and Infrastructure
Committee
The Honorable Peter King, Chairman of Homeland Security Committee
The Honorable Ralph Hall, Chairman of Science, Space and Technology
Committee