

RECEIVED

OCT 1 1990

September 25th, 1990

Dear EXPRESS Builder:

Ans'd.....

First of all we would like to thank so many of you for your strong moral support and your warm and generous offers of assistance and support in so many other ways. We are greatly encouraged by the response to my last letter, and with your help we will be up and running with greater strength than we had prior to the October '89 accident. In many respects we feel that this shutdown is an opportunity to correct problems that had developed as a consequence of the first crash and its aftermath. A clean slate so-to-speak. Which is not to minimize the formidable task of resuming operations, but for the first time in this project, we have a large pool of engineering and management talent from which to hire, thanks to recent and continuing aerospace layoffs.

Once again I must apologize for not responding to each of the many FAXs, letters and phone calls. I have been returning calls, but I'm some two weeks behind. We cannot accomplish all the tasks in managing the current situation and answer all the calls etc. I know you are all anxious to stay current on how things are progressing, so with the help of the WHEELER EXPRESS BUILDERS ASSOCIATION (WEBA) which is now being formed, we will be able to fill the information gap.

Based on the response to my last letter, it appears that we have substantial financial support from the builders, and in many cases, offers of personal assistance as well. It is also gratifying that near unanimous support for Wheeler Technology has been demonstrated at two of the larger builder group meetings in California, the San Francisco (Livermore), and Los Angeles areas.

Unfortunately though, some other builders have been swayed by the actions of Hugh Smith, and we are becoming polarized into two factions. I don't believe the facts warrant that polarization, but arguing will only harden the polarization. Therefore, I am willing to subject both the design of the EXPRESS and the operations of Wheeler Technology to objective scrutiny by a knowledgeable and responsible organization and let the chips fall where they may. I do not accept Smith's group as that organization however. Therefore, I will ask the elected board of WEBA to review or have reviewed, the allegations and information Smith has provided and make a judgement as to the validity and seriousness of Smith's claims. In that way we will all have an objective, unbiased, and informed evaluation by EXPRESS builders or others who have expertise in the relevant fields, such as structural engineering, composites, etc., and we can then have confidence that there is no hidden agenda or underlying bias in the conclusion. I proposed this to Larry Reigert some weeks ago, and I am confident a cooperative effort will yield satisfactory results, whereas the existing hostile camps will serve only to damage the entire project.

Following our shutdown of operations, we immediately began searching for capital, and likewise have been contacted by both individuals and companies who are interested in purchasing or investing in Wheeler Technology. Some of these look promising, but in our experience such negotiations take many months. A lengthy period of suspended operations is not beneficial to the company or the builders. We stand to lose key employees, continuity, momentum in the completion of your kits, and momentum in the marketplace. Furthermore, in time we would be forced to file for protection from hostile action and creditors under Chapter 11, which is a substantial endeavor, additionally hampering our recovery. Moreover, it would seriously impair sales, creating yet another strain on the business.

Therefore, we first turned to the builders for financial assistance, because they can act more quickly than any other source of funds, and because they already know the project and the company better than any outsiders. Moreover, we as the company investors, and you with partial airplanes and deposits on kits, each wish to preserve our investments. Time is against us both, so again, it is you the builders who have the greatest power to offset the catastrophe and get us all flying soon.

To bring Wheeler Technology back to the strength we had prior to the crash of N200EX, we must replace capital which was:

- A. Expended to maintain operations during the seven month period after the crash of N200EX when sales were minimal,
- B. Expended in replacing N200EX under strained conditions,

- C. Expended in the Oshkosh preparations and display,
- D. Anticipated but not realized from sales at Oshkosh.

Unfortunately, the avionics proposal is not completely viable for several reasons, the most important of which is that many builders have informed us that they have already purchased their avionics so would not benefit from the plan, which leaves them unfairly burdened. We are examining alternatives which least burden builders and yet are timely. We expect to offer a complete financial plan in shortly, and will ask the board of WEBA to review it. If a plan utilizing additional builder funds is necessary, we will arrange a license that gives WEBA a security interest in the assets of Wheeler Technology. This would allow WEBA to produce parts so that the builders would be assured of completing their kits even if the company were to cease operations again for some unforeseen reason. (perish the thought).

A concern to builders is the potential liability exposure to Wheeler Technology from the families of the employees who died in the crash. All three employees were acting within their duties on that flight and are therefore covered under Workman's Compensation. In the state of Washington, the estates of deceased employees are prohibited by law from suing the employer if they accept the Workman's Compensation benefits. The estates of all three employees have accepted those benefits, and received their first checks.

Testing of our aircraft and its components will continue as we have always done. The need for any aircraft company to do analysis and testing is fundamental and obvious. However, due to the structural concerns which have been raised, we intend to do additional testing which would be otherwise unnecessary in order to allay these fears. We will do this even though the allegations of structural problems are completely unsubstantiated and there is no evidence of any structural weakness or lack of testing that is not consistent with this class of airplane. Please bear in mind that although we have gone to considerable expense to design the EXPRESS to FAA Part 23 wherever possible and reasonable, this is not a Part 23 airplane, and we cannot afford to test to that level at the price we charge for the kit. We have however, tested flight characteristics and structure to a reasonable level of safety. Obviously, additional testing will incur additional expense and time, but we feel the effort is now necessary to prove beyond any doubt the integrity of the EXPRESS and we have made allowances in our financial planning for that work.

As for a flight test airplane, we intend to finish Demo plane #3, which is already partially complete, with the assistance of the many EXPRESS builders who have volunteered to help on that project. (If you also are interested in spending some time in lovely Gig Harbor on the demo project, please let us know) While some of the builders have suggested that we shouldn't build another demo plane immediately, it is required for much more than just sales. Obviously the manual derives from that effort, and of course flight testing must be done on a factory airplane. With experienced builders the project will go much faster than N210EX though, and the contribution to procedures and the manual will be tremendous. Many of you have asked about the status of Mike Betts' offer of his EXPRESS as a test airplane and demonstrator. Frankly, Mike's asking price of about \$125,000 is a little stiff. I appreciate Mike's desire to recoup his investment, however I feel that great of an expenditure for a non-factory built EXPRESS is not prudent, particularly in that our own demo is not that far from being completed. Moreover, for flight and structural testing, we would much prefer to have a plane that was built under controlled conditions at the factory in order to ensure that the plane is representative of builder completed planes.

As you know by now, a not-for-profit independent builders association called the WHEELER EXPRESS BUILDERS ASSOCIATION is being formed by builders. The primary purpose is to foster communication among the builders and with the factory, and the EAA has offered to assist in guiding the formation of the group. Its impetus was the Livermore, CA (San Francisco area) builders group which at a recent meeting had some 20 people including Wheeler's manufacturing manager, Warren Arnold, several builders who had attended Hugh Smith's meetings in Seattle, and Jerry Sjostrand, a builder who has spent much time at the Wheeler plant from early on. That meeting lasted nearly all day airing all the current issues, and at its conclusion, the builders were able to vote nearly unanimously in support of Wheeler. All of the builders throughout the world obviously can't enjoy that kind of information exchange without an objective international association, so the WEBA was born. WEBA will be a forum of informed, concerned builders who can without bias, evaluate issues and not only resolve them, but follow an appropriate course of action that benefits all builders, not just a minority with some hidden agenda. You are invited to join and share your views and expertise. This is an organization of the builders and for the builders, which will have a board of directors, officers, and of course, a newsletter (currently being published by an EXPRESS builder, Linda Jones, and her husband Ron.

EXPRESS builders represent a tremendous pool of talent and knowledge, and their collective, focused energy will be an extremely positive contribution to the experience of building and owning an EXPRESS. WEBA is intended to be a constructive group with the goal of enhancing the experience of building, flying and owning an EXPRESS. In that vein, several of the advanced builders have already volunteered to provide technical support to other builders, and if you wish to volunteer also, please call Linda or Ron Jones at 615/337-4692 (Tennessee) so you can be included in the next newsletter.

THE EXPRESS BUILDERS EXCHANGE is a newsletter published by Bruce Williams, ostensibly for EXPRESS builders. He stated in a recent newsletter that I had requested his builders questionnaire. Not true. He did not discuss with me his questionnaire, or anything else for that matter, either before or after it was published, nor has he sent me the results. In his "special edition" newsletter, Williams rushed to publish Larry Reigert's "reversal of position" which stated that "Factual evidence released by the NTSB states that structural design integrity is suspect, which contradicts Ken Wheeler's claim". The NTSB has not released new evidence. The NTSB findings remain unchanged since my original statement. Gee guys, I even published the phone number of the NTSB Chief Investigator, Bob Dickens, so anyone could get the latest information direct from the NTSB. Williams advertised his EXPRESS kit for sale in Trade-A-Plane, and he has stated he is the "spokesman" for Hugh Smith. Kinda makes you wonder.

Unfortunately for all of us, Hugh Smith has used the crash as an opportunity to attempt to damage or discredit the company by raising a wide variety of issues which are either without substance, trivial, explainable or in some cases just ridiculous. As an example, I'll leave it to you to categorize Smith's complaint that N210EX had an aileron trim tab. N200EX had an aileron trim tab, our Glasair had a trim tab and so does the Bonanza parked in front of our offices. Marc Cook, of AOPA pilot, thought N210EX was one of the finest four-place airplanes he had ever flown, regardless of the trim tab. We added the tab to adjust the flight characteristics of N210EX, and to continue with our responsibility to develop, test, and understand the design and its full range of characteristics. The tab was not necessarily the permanent fix.

Smith's motives are suspect, simply by virtue of his methods. Instead of coming to us with his concerns, he circulated a letter to all builders the day following the crash, implying structural failure as the cause of the accident. The NTSB hadn't even arrived at the crash site when Smith mailed his letter. Are his actions those of an honestly concerned person attempting to resolve a problem with the intention of continuing the relationship? In any event, his attack on this company is likewise an attack on all builders. If this company is jeopardized because of the cloud of doubt created by Smith and accepted unquestioningly by some, then all of the builder's hopes for completion of their aircraft, as well as their deposits and backorders, are likewise in jeopardy. (By the way, the mailing list Smith used was stolen from Wheeler Technology - after Steve Riley left. We publish lists of builders so that both they and prospects can communicate. However, as you know, we ask permission first. Smith's mailing included names we have never published or circulated.

Smith's primary source of information is Stan Wells, an engineer that we employed for about a month. To those who aren't intimidated by Well's credentials (he worked on the B-2, but so do several of our builders), his 72 page "affidavit" is a rambling, diatribe littered with supposition, personal attack, and very little engineering substance. It is obvious that Smith's use of this information as the basis for his attack is not a constructive effort to resolve concerns, but rather an attempt to damage this company's credibility and reputation.

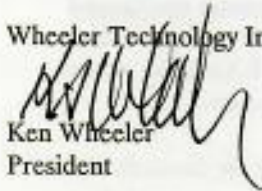
Regardless of Smith's attacks and Wells' "affidavit", the fact remains that neither the airframe nor the design have been shown to be faulty, neither in documentation supplied by the detractors, nor the NTSB findings. The most that can be said is that we have not designed the perfect airplane and we haven't finished our testing, to which we would be the first to agree in both cases. Most of you have experience dealing with Wheeler Technology, and other than falling behind our delivery schedules, we have delivered high quality kits and built two outstanding airplanes (as judged by the press reviews and your orders) which have performed as claimed. Over the years our business dealings with literally hundreds of customers and thousands of transactions have been straightforward and honest. Through events completely beyond our control, our cash flow was stopped at a point where our resources had already been strained, and we had to cease operations. It is our goal to re-start operations and recover from the misfortune as quickly as we can.

Our goals regarding the EXPRESS are unchanged from its inception, and our resolve is undiminished. We are committed to building a safe and proven design. We intend the EXPRESS to be the best airplane, kit, and value on the market. Thus far, we have achieved our goals in the views of knowledgeable observers. I believe our commitment to quality and excellence is evident in the work we have done, the kits we have shipped and the two airplanes we have built, which so many of you have flown. No other kit plane has received the praise from the press that the EXPRESS has received. With a total of some 1250 hours on two airplanes, the EXPRESS is a well proven, demonstrated, and safe design, with no evidence to the contrary, despite the best efforts of a few people.

I invite you to join in and be part of the solution. Communication is the answer. You can put an end to rumors and unfounded allegations by joining WEBA and sharing information. We all just want to fly our (safe) airplanes and enjoy. Lets accomplish that goal together.

Sincerely,

Wheeler Technology Inc.


Ken Wheeler
President



WHEELER TECHNOLOGY INC.
Tacoma Narrows Airport
1522 26th Avenue NW
Gig Harbor, WA 98335

FIRST CLASS MAIL
U.S. POSTAGE
PAID
GIG HARBOR, WA
PERMIT NO. 31