

This letter presents the views of its author and StoneGate Capital Group LLC, only. StoneGate has been acting for CPAC in its efforts to find a new investor to take over the company and ramp up production. In addition, StoneGate and its principals are major stockholders and creditors of CPAC. This letter does not necessarily represent the views of CPAC or its directors or officers and it has not been reviewed by them in advance of its distribution.

August 21, 2011

An Open Letter to the Citizens of Cape Girardeau:

At 9:00 a.m. on Tuesday, the Bankruptcy Court presiding over the Chapter 11 case of Commander Premier Aircraft Corporation will hear a motion made by the City of Cape Girardeau. The motion asks the Court to allow the City to bring an action in a local Missouri Court to evict CPAC from the airport hanger building CPAC has occupied since the end of 2005. Actions against Chapter 11 debtors outside the Bankruptcy Court are initially barred, but a lessor can ask the Bankruptcy Court for an exemption to seek eviction in a local court.

That may sound pretty simple but it's not. In real life, hearings take place when parties in a difficult a situation can't make a deal on their own and one asks a court to resolve the matter at hand. In this case, CPAC proposed a deal to the City but the City rejected it. The proposal was designed to allow CPAC one, last, reasonable effort to make a deal with someone to take control of the company and fulfill its plan to ramp up production of new Commander airplanes. We have been actively engaged in discussions with prospective, new buyers and their representatives since the Chapter 11 filing in late June and several have indicated that they are working towards a proposal. However, all have indicated that they will need six to eight more weeks to complete their investigations and analysis and to structure a proposal. To accomplish that objective, CPAC proposed to enter into an agreement with the City, to be approved by the Bankruptcy Court at the Hearing, which would have three elements.

First, with the Bankruptcy Court's permission, CPAC would sign legal documents entitling the City to an immediate judgment of eviction from a local court if the City filed those documents in accordance with the agreement. That would mean that if the City did have to file for eviction in accordance with the agreement, CPAC would already have agreed to a default judgment, allowing the City to get an immediate eviction judgment without any legal battle.

Second, the City would agree to hold the documents signed by CPAC without filing them in a local court for 60 days. There would be no escrow agent to hold the documents and CPAC would trust the City not to file them unless entitled to do so under the agreement. Based on discussions to date, we think it is reasonably likely that CPAC will receive a proposal if allowed the 60 day period, so we would continue to focus our attention on negotiating a sale of CPAC during that period, instead of moving our attention to dealing with the production and inventory assets in the building. The move to Cape Girardeau required twenty-seven 18-wheel tractor trailers and thirteen flatbed trailers, which took about two months to load. Therefore, dealing with the assets now would completely preempt any other activity. If there was no proposal (with 90 days rent up front) by the end of the 60 day period, the City would have the right to file its eviction action and obtain and immediately enforce judgment.

Third, the City would agree that if, during the 60 day period, a prospective buyer or investor proposes to take control of CPAC, and the City is paid a fair amount of rent for a 90 day period, the City will allow CPAC to conclude a deal, and prepare a Chapter 11 Reorganization Plan based on the deal, over the next 90 days without filing the eviction papers during that period. This would assure that, if a party comes forward with a proposal, it and CPAC would have time to prepare the hundreds of pages of legal documentation required for the deal and for the Reorganization Plan and to obtain Bankruptcy Court approval. It would also assure that if a deal is done, CPAC will not have an eviction judgment showing up on an Internet search for the rest of eternity when it had never left the building. If at the end of the 90 day period, no CPAC deal was concluded that included an acceptable deal with the City for the hanger, then unless CPAC were to move out voluntarily, the City could bring its eviction action and obtain an immediate judgment. It was never proposed that the City give up its right to approve any future deal for the hanger, or that it “pre-agree” to any particular terms. It was only asked to agree that it would not to shut down the negotiation, documentation, and Court approval process with an eviction action during the 90 day period.

The City rejected CPAC’s proposal. Instead, it proposed that CPAC agree, with Bankruptcy Court approval, to (1) waive all rights to contest an eviction, (2) permit the City to immediately file a local court eviction action, and (3) permit the City to obtain the immediate entry of a judgment of eviction against CPAC. In effect, the City asked CPAC to give the City the legal right to force CPAC’s immediate removal from the building. In return, the City offered to agree that it would not use such power for 60 days, allowing CPAC 60 days to voluntarily vacate the building. The City totally rejected the request to delay the local filing, even until the end of the 60 day period it offered and even though the City would hold papers entitling it to an immediate judgment and enforcement if it filed the documents at that time. It also rejected the request for a further 90 day period to conclude a deal, if one is proposed within 60 days and rent is paid in advance.

CPAC’s counsel was advised Friday by the City’s bankruptcy lawyer that the City’s position is simply that CPAC should agree to an immediate eviction judgment to get a known 60 day period before being removed forcibly from the building and trust the City not to enforce its eviction judgment, even at the end of the 60 days, if it would be “unreasonable” for it to do so in light of then circumstances. We believe, for the reasons explained herein, that the City is acting “unreasonably” now in turning down our proposal and it would be irresponsible to believe that things would be different in 60 days. Therefore, in the absence of an agreement, we believe we should suspend all further efforts to find a new control party for CPAC and that CPAC must turn its attention to the assets in the building. Unfortunately, that shift of attention will foreclose any further possibility of having an aircraft manufacturing business in Cape Girardeau.

We want you to know that we believe the City rejected CPAC’s proposal because of political pressure from you, the voters of Cape Girardeau. We think your City officials believe that CPAC’s proposal is truly in the best interest of the City. However, in a democracy, City officials must sometimes do what voters insist, even if they don’t think it’s the smartest thing to do. And for too long they have heard you loudly insist that they “take some action to get this over with, no matter how it comes out.” Therefore, we believe that the same political pressure – not reasonableness – will govern any decision made 60 days from now. That is why this letter is addressed to you, not to City officials. You need to understand what you have precipitated and what it is likely to cost you.

To really understand this situation, and judge whether the proposal from CPAC is in the best interest of the City, you must know the background that resulted in the non-payment of rent. This is the background known to your City officials and why, I believe, they have worked with CPAC for so long.

It’s no secret that CPAC was unable to attract the financing required to ramp up aircraft production, as it planned when it moved its production assets to Cape Girardeau. Without the capacity to commence aircraft production, the company was never able to generate enough revenue to cover expenses and it fell behind in

the rent payable to the City. If this had happened in a healthy economy, it could have indicated a failing on the part of CPAC. However, it's also no secret that, just as CPAC's Quality Assurance Program was approved and CPAC was granted FAA Parts Manufacturer Approval in 2007, and it was planning to raise capital and ramp up production, the Nation's financial system crumbled and the Nation began its fall into a deep recession. Most financing for small businesses, especially new businesses, dried up over night. But even that wasn't CPAC's biggest challenge in raising money to launch the production of new airplanes.

As the Auto industry was on the brink of collapse, three CEOs from GM, Ford, and Chrysler, flew to Washington for Congressional Hearings in three separate corporate jets. The televised chastising of those executives for flying to Washington in those planes was replayed constantly for 48 hours by every television station in America. It dramatically and instantly painted the use of all private planes as symbols of waste, arrogance, greed, and impropriety. Suddenly, it was shameful to own, let alone buy, a private airplane. That one event immediately shut down the general aviation industry until this year. What little financing might have been available for new companies was not going to a new company in an industry where sales were plummeting and established companies were closing production facilities and laying off many thousands of employees. History has shown that if CPAC had been able to raise several million dollars and ramp up production in 2007, it would have had to close down all or most production in 2008 and layoff all or most production workers, as did all other general aviation companies. That could have meant up to 100 layoffs for CPAC. The cost to the City of Cape Girardeau from the general aviation industry's problems has been lost rent on a building. While not insignificant, the affect on some cities, like Wichita with its long established general aviation industry, was thousands of layoffs and economic disaster.

Through all the economic turmoil, however, since the beginning of 2006, CPAC has maintained its service center and parts operations to support the existing fleet of Commander aircraft. And, it retained a core team, so it could complete its ramp up plan when the economy permitted. This was only possible because, year after year, company stockholders provided additional funds to cover monthly operating losses in the belief that, some day, the recession would end and financing would be available to ramp up production. Their goal was to maintain the company "intact" – with its FAA approvals – so it would be there to ramp up when that day came. And, when most of them were unable to continue funding, CPAC's president continued to provide the funds necessary to keep the doors open. In total, he has personally provided about \$900,000 to try to keep alive the possibility of an aircraft factory in Cape Girardeau. Amounts owed by CPAC are now shown in the public schedules in the Bankruptcy Court. My firm, StoneGate Capital, is owed about \$1.2 million. Other company investors have provided nearly another three million dollars in equity and loans, all for the same reason, and none of us live in Cape Girardeau. There is no assurance that any offer would be enough to repay those amounts.

Until now, the City has also been a partner in trying to keep the prospects for an airplane factory alive. By allowing CPAC to remain in the hanger without paying rent, the City had allowed company management to "hold everything together" waiting for the economy to improve and capital for such projects to again be available. Yet, with others doing so much to keep the prospect for an aircraft factory in Cape Girardeau alive, with others matching the City's investment several times over while waiting for economic improvement, you have constantly pressured the City to break the partnership, forego the opportunity, and "throw the bums out." As the old saying goes, "no good turn goes unpunished." So where do things stand now and where are they likely to go?

It's clear to all Americans that there has been no general economic rebound. Yet, over the last few months, there has been a mild resurgence in general aviation aircraft orders and, as a result, investors and commentators are beginning to believe that the industry will see a sustained rebound beginning in 2012. That's why a number of prospective investors have come forward for discussions and why we believe that a take-over remains a real possibility. That's why CPAC proposed the deal it proposed to the City. That's why we remain

willing to spend our time and effort over the next 60 days to try to arrange a company take-over, if the City will agree to CPAC's proposal and give CPAC a realistic opportunity to complete a transaction.

While it was disheartening to us to learn last spring that the City was withdrawing its support for the company, and was about to seek eviction, we could not accuse them of acting precipitously. Rent hasn't been paid for years, and the pressure from you to do something, anything, about the unpaid rent had become unbearable. Do we think such action was reasonable in light of the circumstances? Only if the circumstances include the political pressure you put on your elected officials to solve a local consequence of a nationwide economic and aviation industry melt down.

Your officials know that buildings on airports accepting any FAA money within decades can only be used for aviation related purposes. They know that not a single general aviation company in America – that means not a single company to which they could have legally leased the hanger – could have taken on the rent obligation for the building during those years and that CPAC could do no more than tread water until the industry turned upward. And, they know that for its contribution of accrued rent, the City encouraged other individuals, with no personal tie to Cape Girardeau, to keep funding CPAC and keep the dream of an aircraft factory in Cape Girardeau alive. Unfortunately, that knowledge is less important than the political pressure they feel from you. As a result of that pressure, there will likely be no agreement and there will likely be a hearing on Tuesday morning.

Without an agreement, the most the City can obtain at the hearing is an order allowing it to begin a normal eviction action in a local Court. Of course, CPAC will be free to contest the eviction action in order to protect its interests and those of its other creditors and stockholders. Others will be free to act to protect their interests, as well. Of course, an eviction action pending during an attempted acquisition is considered a highly material issue; an issue that must be disclosed to all potential buyers. Accordingly, those that have already inquired about acquiring CPAC have been advised of the hearing and of the negotiations with the City. On Tuesday, each will be advised of the results of the hearing. But the real "results" will far transcend the action taken by the Court.

Those who have funded the company and worked long hours to find a buyer or investor understand that, if there is no agreement between CPAC and the City, the odds that someone will successfully take over CPAC as an "intact company" will drop dramatically. Each prospective buyer has indicated that, if the City will not provide time to investigate, analyze, structure, document, and close a deal, it would not consider staying in Cape Girardeau, even if it eventually bought all the assets in an asset sale. That would make it pointless to spend time or money on an effort to sell the company "intact." Therefore, the hearing is truly a watershed event.

CPAC's proposal is still open but, because of the political pressure you have brought upon your elected officials, we do not expect any change in the City's position. The City's position is in direct response to your pressure, even though your City officials know all of the information in this letter, they know that this action by the City will prevent any present prospect from locating in Cape Girardeau, and they know that it will likely prevent the City from ever again attracting an aircraft manufacturer to Cape Girardeau. However, the pressure from you is just too great to bear any longer and the hearing would put an end to that pressure. The City officials will be able to tell you that they took the action you demanded, irrespective of the consequences.

Therefore, unless you quickly send a dramatically different message to your elected officials, there will be a hearing on Tuesday with no agreement. If there is no agreement, all parties we have spoken with will conclude that the City has soured on aviation and that they should not go where they are not wanted. That would eliminate any prospect of their locating in Cape Girardeau, even if they eventually buy CPAC's assets to go

into aircraft production. Accordingly, if there is no agreement, there will be no point to further efforts to find a new owner to ramp up CPAC in Cape Girardeau.

In closing, let me add just one thought. CPAC has been in the hanger since the end of 2005. It has been using the hanger for over 2000 days. The maximum length of the time that could pass before a deal in progress would exceed the time limits under the agreement proposed by CPAC would be 150 days; only 60 days if a proposal with rent money is not received during the first 60 days. Upon reflection, doesn't it seem just a bit cavalier to throw away the last, best chance for having an aircraft factory in Cape Girardeau to avoid giving a prospective buyer a 90 day period to do the legal work required to close the deal? We recognize that political pressure is reflective of the electorate's desires and politicians must consider those desires even when they have different personal opinions. That's why this letter is written to you, not your City officials. You've now been given the control of the situation you've been clamoring for during the last several years. You've pushed the City into action. Be careful what you wish for. If, upon reflection, you want one last change for an aircraft factory, you had better speak up quickly. Without an agreement, on Wednesday StoneGate will feel free to turn its attention to other matters.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joel M. Hartstone". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Joel M. Hartstone,
for StoneGate Capital Group LLC