



To: The Commissioners of the US International Trade Commission
Small and Medium-Sized Enterprises (March 10th, St. Louis MO)

Zoltek Corporation has a stated mission to lead the commercialization of carbon fibers as a primary building material in everyday products. Zoltek manufactures carbon fibers, carbon fiber based prepreps, fabrics and various other forms. Zoltek's markets include wind turbine blades, automobile structures & parts, offshore drilling parts, pressure vessel reinforcement (CNG & Hydrogen tanks), infrastructure repair, and several other industrial markets. While these applications of carbon fiber are still relatively new, there is an industry-acknowledged trend for greater use of carbon fiber for commercial applications.

Historically, carbon fiber uses were limited to two major markets (aerospace and sporting goods); in the last ten years, however, carbon fiber has made a significant expansion into commercial markets - most notably in wind energy turbines, such as Vestas of Denmark, which is now the largest single user of carbon fibers. Industrial users are unaccustomed to and understandably intimidated by the US government involvement in their raw materials.

Selling carbon fiber requires sampling, testing, validating, and qualifying the material before a customer will change their manufacturing process to adopt this new material. This sales cycle is prolonged when export license paperwork is required, which hinders our ability to compete in the global market.

Carbon fibers are export controlled primarily under 1C010 and 1C210 for National Security, Non Proliferation and Anti-Terrorism reasons. While the US government believes our fiber is not suited for use by it, we are still limited to sell our product on a global market.

Zoltek currently manufactures carbon fibers in the United States and in Hungary. Our facility in Hungary applies for export licenses in Hungary, our US operations apply for licenses via the US Department of Commerce, Bureau of Industry and Security. The fastest growing market for carbon fiber is Asia, including China and India. We currently have export licenses to India, China, Turkey, Croatia, Russia, Thailand, and Singapore.

Applying for these licenses in the United States, versus applying in Hungary is not equivalent. I would like to discuss the differences:

1. The time from application to issuance of a license is not the same:
 - a. The average license in Hungary issues in 1 week
 - b. The time to license in the US is 35-45 days.
2. The requirements for our customers is different for the US versus Hungary:
 - a. For US licenses the following are required (depending upon the volume, all or a subset are required):
 - i. Certificates from the customers' Ministry/Department of Commerce
 1. International Import Certificate
 2. PRC End-User Certificate
 3. Indian Import Certificate
 4. Bulgarian, Czech, Romanian, Hungarian, Polish, or Slovak Import Certificate, and/or

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- ii. US BIS-711, and
- iii. Depending upon the country, a letter of Assurance (Non-proliferation countries),
- b. For Hungarian licenses the following is required:
 - i. An End-User Statement Form
- 3. Finally, the Hungarian Government Decree No. 50/2004 (III. 23) regulating the export license application procedure, allows for a so called "Global Export License". Rather than issue a license for each individual customer the Global Export License may be applied for by the exporter. The Global Export License is issued to export to a designated country instead of a designated end-user. Although records must be kept and may be audited by the government officials, it allows for rapid shipment and therefore the business to remain competitive.

As a result of the more cumbersome process in the US, Zoltek ships to customers from Hungary when licenses are required. Conversely, South Korea requires a license from Hungary, but does not require a license from the US; we source South Korea from the US.

At one time, all carbon fiber production was limited to Europe, the United States and Japan. The table below lists the current global carbon fiber capacity. Please note that production exists in China, India, Taiwan, and in Turkey; countries to which the EU and the US require licenses.

	CF Capacity	Production Footprint			
Zoltek	13,000	U.S.	Hungary		
Toray	13,900	Japan	U.S.	France	
Toho	11,800	Japan	U.S.	Germany	
Mitsubishi	8,100	Japan	U.S.	U.K.	France
SGL	6,000	U.S.	U.K.		
Formosa	6,000	Taiwan			
Hexcel	3,600	U.S.	Spain		
Cytec	2,000	U.S.			
AKSA	1,500	Turkey			
Dalian Xingke	800	China			
Kemrock	650	India			
Yingyou	1,200	China			

Capacity in mTs

We have specifically had potential customers in China choose to buy carbon fiber from local Chinese producers (notably, Yingyou Group and Dalian Xiangke) rather than complete the required US export paperwork for sampling our fibers. We have also seen customers in China import carbon fiber from Formosa (a major competitor in Taiwan) with little or no regulatory oversight from the Chinese or Taiwanese governments. The US export regulations put Zoltek's US operations at a disadvantage to all other carbon fiber manufacturers.

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We respectfully request that the US Bureau of Industry and Security:

1. Re-examine the export regulations with regard to carbon fiber applications in industrial markets,
2. Allow for de minimis sampling without export license,
3. Accelerate processing of export licenses, and
4. Allow for a "Global Export License" as allowed by the Hungarian authorities.

Sincerely,

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