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◆ **WSJ NEWS EXCLUSIVE** | NATIONAL SECURITY

Chinese Investment in U.S. Plane Maker Draws FBI, National-Security Reviews

The scrutiny on Icon Aircraft comes as Washington and Beijing vie to control technologies seen as critical for future competitiveness



The framework of a recreational aircraft at an Icon Aircraft manufacturing facility in Mexico.

PHOTO: ALEJANDRO CEGARRA/BLOOMBERG NEWS

By [Kate O'Keeffe](#) [Follow](#)

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The FBI and a U.S. investment-screening panel are investigating a Chinese investment in an aircraft startup following allegations of improper technology transfer to China, according to people familiar with the matter and documents reviewed by The Wall Street Journal.

Under review is a Chinese government-backed investment company's nearly 47% stake—the largest of any shareholder—in Icon Aircraft Inc., a California-based maker of small recreational, amphibious planes. A group of U.S. shareholders has accused the Chinese firm of hollowing out Icon and moving its technology, which

the Americans say has possible military applications, to China.

The Committee on Foreign Investment in the U.S., an interagency panel that can recommend that the president block or unwind deals on national-security grounds, began its review in late November after the American shareholders urged it to intervene, according to documents and the people familiar with the matter.

The Federal Bureau of Investigation has also initiated a separate probe into possible criminal violations related to the deal and the alleged transfer of technology, according to the people and one of the documents.

The review by Cfius underscores its heightened scrutiny on investment from China amid hostile U.S.-China relations and the two governments' battle to dominate technologies they see as crucial to future economic and military competitiveness.

Shanghai Pudong Science and Technology Investment Co., or PDSTI, said in legal filings that its investment in Icon saved it from collapse and that licensing its technology to a Chinese company will bring in needed capital. A person close to PDSTI said the American shareholders' call for a Cfius review is "an example of how the Cfius process can be improperly weaponized against a good-faith investor."

A lawyer for Icon said its aircraft don't have military applications and the company doesn't see PDSTI's investment as a national-security concern. The company is fully cooperating with Cfius and expects the panel to conclude its review at the end of February, the lawyer said.

A spokeswoman for the Treasury Department, which leads Cfius, declined to comment as did the FBI. The lawyer for Icon and representatives for PDSTI said they haven't been contacted by the FBI.

Icon, founded in 2006 by a former Air Force pilot and a former product-design lecturer at Stanford University, produces a carbon-fiber plane with foldable wings capable of land and water takeoffs and landings, according to the American shareholders. The plane is designed for recreational use, said Icon's website. The American shareholders, in a memo to Cfius reviewed by the Journal, said the

aircraft could be modified to function as a militarized drone.

Icon attracted board members influential in aviation. One was Linden Blue, vice chairman of General Atomics, which makes the Predator drones used by the U.S. military. Phil Condit, a former CEO of Boeing Co., also joined the board and is an investor.

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The group of American shareholders that appealed to Cfius includes Mr. Condit, Icon's co-founders Kirk Hawkins and Steen Strand, and multiple investment firms. Mr. Hawkins remains a board member.

In their memo to Cfius, the group said Icon initially didn't seek the panel's blessing because PDSTI's investment started out small in 2015. The memo cited Cfius's approval of a 2011 deal by China's state-owned aviation giant China Aviation Industry Corp, known as AVIC, to buy Minnesota-based private-aircraft maker Cirrus Industries Inc.

By 2017, PDSTI had amassed its dominant stake in Icon, according to the group of American shareholders. Then, they said in the memo and in court filings, the Chinese company began installing board members and executives, pressuring others and laying plans to transfer Icon's technology to China.

The Americans filed suit against PDSTI in Delaware in June seeking to stop its alleged expropriation of Icon's technology; PDSTI said the lawsuit's claims are meritless. Two months later the American shareholders filed their memo to Cfius, urging the panel to unwind the deal.

Messrs. Condit and Blue resigned from Icon's board in 2018 and 2019, respectively, to protest PDSTI's management, according to the June lawsuit. In his resignation letter, cited in the suit, Mr. Condit said he was stepping down, given "the complete disregard for my advice and counsel."

In May 2020, then-senior Icon executive David Crook declined PDSTI's offer to be the aircraft company's president. He wrote, "It is obvious that PDSTI's plan for

ICON is to reduce its operations to a minimum and destroy any potential for the US business until they can move it to China to serve their own interest,” according to a filing by the plaintiffs in the Delaware suit. Mr. Crook, who isn’t part of the American shareholders group suing PDSTI, said he stands by that comment.

Nearly a year later, in March 2021, PDSTI shipped an Icon plane to China, and in April the firm began a process to license Icon’s intellectual property, which will give it “rights to siphon ICON technology back to China with no restrictions,” the shareholders allege in their memo to Cfius.

In that memo, dated Aug. 1, the minority shareholders said that the situation had developed into “specifically the kind of national security situation” for which the Cfius process is intended.

“ICON’s aircraft technology and advanced materials and aerospace manufacturing capabilities should not be allowed to fall into the hands” of China, said the memo. “Without expeditious CFIUS intervention, this may occur within months.”

Icon’s lawyer said the company’s sole plane model, called the A5, is built from commercial, off-the-shelf products and is “wholly unsuited for any military applications.” The A5 “does not have any autonomous piloting, artificial intelligence or machine learning capabilities,” the lawyer said, adding that Icon doesn’t manufacture, design, develop, or test navigation technology or advanced materials.

PDSTI has said in filings in the Delaware lawsuit that, while it has the ability to appoint the majority of Icon’s board, it too is a minority stockholder with a 46.7% stake and doesn’t exercise corporate control over Icon. PDSTI has invested “hundreds of millions of dollars” in Icon since 2015 and secured more funding from outside investors, thereby saving Icon from collapse under prior “disastrous leadership,” according to the filings.

—*Jim Oberman and Elisa Cho contributed to this article.*

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