

**Unofficial Translation  
of German Original**

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To the creditors of Flightlease AG in  
debt restructuring liquidation

Küsnacht, April 2007 WuK/fee

**Flightlease AG in debt restructuring liquidation;  
Circular No. 9**

Ladies and Gentlemen

This Circular provides information on the progress of the Flightlease AG debt restructuring proceedings since March 2006 as well as on the next steps planned in these proceedings over the coming months.

**I. REPORT ON ACTIVITIES AS AT 31 DECEMBER 2006**

Having been acknowledged and approved by the Creditors' Committee, the fourth of the Liquidator's reports on activities for 2006 was submitted to the debt restructuring judge at the district court of Bülach on 28 February 2007. The report on activities will be available for inspection by creditors until 4 May 2007 at the Liquidator's offices at Seestrasse 39, Goldbach-Center, 8700 Küsnacht. Please make an appointment with Thomas Bächli, tel: +41 43 222 38 00.

The following is a summary of those points of the report on activities which have not yet been covered by one of the Circulars published over the past year.

## **II. OVERVIEW OF THE LIQUIDATION PROCESS**

### **1. Activities of the Liquidator**

Over the past year, the Liquidator concentrated on handling the actions to contest the schedule of claims that had been lodged by a number of creditors and on selling Flightlease AG's holding in Willis Lease Finance Corporation (see section III.2 below).

Enquiries were also pursued into responsibility issues in connection with the Flightlease AG annual financial statements as at 31 December 2000. The final report is still pending.

### **2. Activities of the Creditors' Committee**

The Creditors' Committee held a total of three meetings in 2006. At its meetings, the Committee discussed the various proposals submitted by the Liquidator and passed resolutions accordingly.

## **III. REALIZATION OF ASSETS**

### **1. Overview**

The Liquidator collected accounts receivable of around CHF 6,806,462 in the course of 2006. It was also possible to sell all remaining MD-11 spare parts from the stocks that were still held in the USA. The liquidation of GATX Flightlease Management GmbH was concluded. This resulted in liquidation proceeds of CHF 54,826 for Flightlease AG.

### **2. Loan to FlightTechnics LLC; sale of holding in Willis Lease Finance Corporation**

In November 2000, SR Technics America Inc. (now T Group America) and Flightlease AG together acquired a shareholding of 14.2% in Willis Lease Finance Corporation (referred to below as "Willis"). For this purpose, SR Technics America Inc. and Flightlease AG founded a subsidiary, FlightTechnics LLC (referred to below as "FlightTechnics"), in which each company held 50%. Willis is one of the world's leading independent aircraft engine lessors. The company was founded in 1976

and has been listed on the stock exchange (NASDAQ) since 1996. The relationships between Willis's main shareholders were laid down in a Stockholders' Agreement dated 7 November 2000. In particular, this Agreement contained significant restrictions on the sale of shares.

After SAirLines and Flightlease had been granted a debt restructuring moratorium in October 2001, Charles Willis, Willis's primary shareholder, contacted the Administrator and made him a takeover offer for the Willis share packet held by FlightTechnics. The bid price per share was USD 4.50. The bid was not accepted. It was decided that the sale would not go ahead until the market situation had improved. Willis shares posted a pleasing performance in the years that followed, with the share price rising to USD 9 by the summer of 2006.

In the autumn of 2005, contact was established with several potential buyers. These included General Electric, SR Technics Switzerland, RUAG and Lufthansa Technik. None of these efforts resulted in serious sales talks. In parallel with these efforts, negotiations were also being held with Charles Willis. In view of an average trading volume of 35,000 units per week, selling the 1.3 million Willis shares held by FlightTechnics via the stock exchange was not an option.

In June 2006, Helbling Corporate Finance (referred to below as "Helbling") was instructed to conduct a corporate analysis of Willis and to produce valuations according to a variety of methods. It was also to set out options for action, along with a SWOT analysis in each case. In its report, published on 14 July 2006, Helbling concluded that the best solution would be to sell the Willis shares to Charles Willis or to one or more of Willis's other main shareholders. The fair value of the Willis shares held by FlightTechnics was estimated by Helbling to be between USD 8.1 million and USD 11.6 million, depending on the calculation method used.

In October 2006, Charles Willis ultimately made a bid to take over the entire FlightTechnics share packet at a price of USD 9 per share, or a total of USD 11,700,000. Taking into consideration the illiquid market for Willis shares, the lack of interest among other investors, as well as uncertainties concerning the US dollar exchange rate and the economic

activity in the USA – and the airline industry in particular – Charles Willis's offer was judged to be very good. FlightTechnics accepted the bid and the deal went through in December 2006.

At the end of November 2000, T Group America and Flightlease AG had each granted FlightTechnics a loan of USD 7,312,500 to buy the Willis shares. After deduction of the liquidation costs, T Group America and Flightlease AG will thus each receive half of the remaining proceeds from the sale of the Willis shares. Each partner will receive around USD 5.8 million. Flightlease AG had already received USD 5.5 million by the end of December 2006.

#### **IV. ASSERTION OF RESPONSIBILITY CLAIMS**

On 11 November 2005, Flightlease AG filed a CHF 63 million action with the district court of Bülach against a number of former directors and officers of the company. The respondents are accused of having been in breach of their duties in introducing and operating the cash pool and thus of having caused the ensuing loss (see Circulars no. 5 and 7).

The legal proceedings have not yet progressed very far. The respondents submitted their defence – in which they dispute the Flightlease claims – to the court on 15 February 2007

#### **V. ASSET STATUS OF FLIGHTLEASE AG AS AT 31 DECEMBER 2006**

##### **1. Introductory remark**

In the Appendix, you will find a report on the liquidation status of Flightlease AG as at 31 December 2006 containing a statement of the assets of Flightlease AG in debt restructuring liquidation as of that date, according to present knowledge.

##### **2. Assets**

As in the past, as-yet unrealized assets consist primarily of claims against former Swissair group companies and Flightlease shareholdings in other companies. Moreover, any responsibility claims are carried pro memoria.

**3. Debts of the estate**

The accounts payable reported as at 31 December 2006 concern costs which have been incurred during the debt restructuring liquidation.

Of the provision for the first interim payment, totalling CHF 65,386,468.55, CHF 199,635.50 relate to payments for which creditors have not yet submitted their payment instructions to the Liquidator. Meanwhile, CHF 2,449,201.20 relate to interim payments for conditional claims for which the conditions have not yet been met. Another CHF 48,539,836.10 concern interim payments for claims for which an action to contest the schedule of claims is pending. The remainder of the provision – CHF 14,197,795.75 – is for claims that are still suspended at present. The provision that has been made guarantees the maximum amount of all interim payments for all claims that have not yet been settled.

**4. Creditors' claims**

Please refer to the attached summary of creditors' claims for the status of work to settle the schedule of claims. In 2006, financial settlements totalling CHF 49,399,542.40 were reached in six actions to contest the schedule of claims which concerned third-class claims. Claims totalling CHF 7,664,572.10 were recognized under these settlements. Actions to contest the schedule of claims are still pending from five third-class creditors holding claims totalling CHF 1,941,593,444.45. Legal proceedings are in progress.

**5. Estimated dividend**

The disposable assets reported in the liquidation status give a maximum dividend of 9.1%, providing all of the lodged actions to contest the schedule of claims are unsuccessful and the suspended claims are rejected. Should all of the actions be admitted and the suspended claims have to be recognized, however, the minimum return would be 3.8%. Of this, 2.5% has already been paid out in an initial interim payment. The remaining dividend that may be expected is therefore between 1.3% and 6.6%.

**VI. PLANNED NEXT STEPS IN THE PROCESS**

The next phase of proceedings will involve cleaning up the schedule of claims and liquidating the last remaining assets. The liquidation bodies will focus on pursuing responsibility claims. It is not possible at present to estimate how long it will take to settle the issue. Creditors will be provided with further information in a Circular that is planned for the autumn of 2007 at the latest.

Yours sincerely

Flightlease AG in debt restructuring liquidation

The Liquidator

Karl Wüthrich

Encs: Liquidation status of Flightlease AG in debt restructuring liquidation as at 31 December 2006, including a summary of creditors' claims

**Hotline**

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## Flightlease AG in debt restructuring liquidation

## LIQUIDATION STATUS AS OF 31 DECEMBER 2006

	31.12.2006 CHF	31.12.2005 CHF	Change CHF
<b>ASSETS</b>			
<b>Liquid funds</b>			
UBS CHF 803.530.01B	3'326'274	126'897'679	-123'571'405
UBS USD 803.530.60M	7'016'051	63'254	6'952'797
ZKB CHF 1100-0974.031	206'373	0	206'373
Credit Suisse CHF 818720-81	68'165	0	68'165
Cash deposits <sup>1)</sup>	115'000'000	0	115'000'000
<b>Total liquid funds</b>	<b>125'616'863</b>	<b>126'960'933</b>	<b>-1'344'070</b>
<b>Liquidation positions:</b>			
Accounts receivable	299'735	385'655	-85'920
Receivables from third parties	1'803'142	6'750'023	-4'946'881
Shareholdings	4	54'004	-54'000
Furnishings, spare parts	1	2	-1
Responsibility claims	p.m.	p.m.	
Pauliana claims	0	0	
<b>Total liquidation positions</b>	<b>2'102'882</b>	<b>7'189'684</b>	<b>-5'086'802</b>
<b>TOTAL ASSETS</b>	<b>127'719'745</b>	<b>134'150'617</b>	<b>-6'430'872</b>
<b>LIABILITIES</b>			
<b>Debts of the estate</b>			
Accounts payable	78'703	53'859	24'844
Provision, 1st interim payment	65'386'469	90'191'849	-24'805'380
Provisions for liquidation costs	2'000'000	2'000'000	0
<b>Total debts of the estate</b>	<b>67'465'172</b>	<b>92'245'708</b>	<b>-24'780'536</b>
<b>TOTAL DISPOSABLE ASSETS</b>	<b>60'254'573</b>	<b>41'904'909</b>	<b>18'349'664</b>

<sup>1)</sup> CHF 6 Mio. is assigned as collateral for litigation deposits totalling CHF 5'545'250

**CREDITORS' CLAIMS**

Category	Schedule of claims				Dividend			
	Recognised	Appeal lodged	Decision suspended	Rejected finally	Future dividend		Total	
	CHF	CHF	CHF	CHF	min.	max	min.	max.
Secured by right of lien	-	-	-	-	-	-	-	-
First class	1'258'541.66	-	1'350'389.68	95'310'782.57	100%	-	100%	100%
Second class	16'003.45	-	-	-	100%	-	100%	100%
Third class	1'837'134'156.54	1'941'593'444.45	513'896'242.11	14'483'962'524.15	2.50%	1.3%	3.8%	9.1%
<b>Total creditors' claim</b>	<b>1'838'408'701.65</b>	<b>1'941'593'444.45</b>	<b>5'15'246'631.79</b>	<b>14'579'273'306.72</b>				