

CargoLifter AG – we're still around!

by Arnd Middelmann

Chairman of the Supervisory Board of CargoLifter AG i.l.

Dear shareholders of CargoLifter AG,



you are probably surprised to be holding an issue of CargoLifter's LifterNews in your hands for the first time in over four years. "Aren't they broke?" or "Does that company still exist?" are typical questions that some of you may have been asking yourselves. As chairman of its Supervisory Board, I

can tell you: Yes, it still exists, and we would have loved to get in touch with you in this manner earlier, but we did not have the funds to do so. The main intention of this publication is to re-establish contact with you, to inform you in brief about key developments, and to ask you to kindly register on our website www.cargolifter.info, stating your e-mail address. That way, you will be able to enjoy direct (and free) access to detailed information in a manner that exceeds the potential of a weight-saving postal item.

On our website, your questions concerning the development, the collapse and the re-launch of CargoLifter are addressed in detail.

You will receive this current information regardless of whether you still are a shareholder or not, because firstly, the most recent shareholder data we have date back to September 2003 (the insolvency administrator has ceased to update the share register), and secondly, the question is moot because you and 70,000 other people supported the project in the past. We know that the financial losses suffered by shareholders are painful. However, we have received many messages suggesting that not to continue pursuing the CargoLifter project with its undisputed advantages in transporting loads would represent the more depressing option. Just because CargoLifter AG failed economically does not mean

that the demand for such solutions has suddenly disappeared. This is underscored by the inquiries that we are still receiving from all over the world.

Already in November 2002, attempts that had been agreed with the insolvency administrator to rescue the company by issuing a debenture had failed. For some inexplicable reason, the insolvency administrator claimed that letters had been sent to the company's shareholders in September 2002. In fact, the letters were sent at the end of October, thereby reducing the subscription period dramatically. Furthermore, during this reduced subscription period, the insolvency administrator commented negatively on the prospects of the issue as well as on CargoLifter in general.

For this reason, Dr. Carl-Heinrich Freiherr von Gablenz, the company's founder and former chief executive officer and the sole remaining member of the Supervisory Board after the other members of the Supervisory Board had resigned, proposed five new persons to the District Court Charlottenburg in the spring of 2003 whom the judge immediately appointed as members of the Supervisory Board. Under normal circumstances, it is the General Meeting which appoints members of the Supervisory Board. My colleagues elected me – a "normal" CargoLifter shareholder – as chairman, despite, or perhaps because of, my age. The Supervisory Board appointed Mr. Hans-Georg Engelken, a management consultant, and likewise a CargoLifter shareholder, as Executive Officer.

The insolvency administrator did not appear to be too fond of new members to the Supervisory Board being nominated, because he tried to stop us by filing numerous legal actions (which he pursued all the way to the German Federal Supreme Court!); however, without success, but at

the expense of the company's assets – i.e. your money – and for his own benefit!

Together with Mr. Engelken, we promptly elaborated a concept that would at least continue to make use of the hangar as a location for lighter-than-air technology. In this context, we had many discussions with the committee of creditors, the insolvency administrator, and politicians. Unfortunately, the decision they reached was not in our favour, and the land and the hangar was sold for a mere 17.5 million EUR to a Malaysian group, which then proceeded to erect an indoor tropical park – as a kind of highly visible symbol of the German "will to innovate".

As we subsequently found out, Brandenburg's Economics Minister at the time, Mr. Fürniß, was also acting in his own best interests when he supported his pet project, the integrated circuits factory, while simultaneously dropping CargoLifter. In the end, his political career came to an end when the "oriental millions" somehow ended up on his private bank account. You can find additional information at www.zukunft-in-brand.de in the section entitled "News Flash: Insolvency affair - how CargoLifter fell prey to the machinations of Minister Fürniß".

However, these adversities did not stop us from working towards a fresh start together with those shareholders whom we were able to contact as well as the "Initiative Zukunft in Brand e.V." (IZiB), the association of shareholders and supporters of CargoLifter. My Supervisory Board colleague, Mr. Mirko Hörmann, who is also the Managing Director of the "new CargoLifter", as well as the chairman of the association Initiative Zukunft in Brand e.V., Mr. Wolfgang Pest, will provide additional information below. I wish to thank you for your attention, and hope that I have been able to arouse your interest in obtaining additional information over the internet. Should you have any questions, please do not hesitate to contact us.

Sincerely,
Arnd Middelmann

+ + + Contact details + + + Contact details + + +

On our website, we have provided contact forms that we kindly ask you to complete. In particular, please provide your email address, because it represents the most efficient and cost-effective means of communicating with you.

If you do not have your own access to the internet and an own email address, we would suggest that you use the email address of a person you trust (relatives, friends) who has the appropriate means at his or her disposal and who is prepared to print and forward the information that we would like to send to you, and who might also transmit information that you wish to send to us.

You can find us at:

CargoLifter AG i.l. as well as
CL CargoLifter GmbH & Co. KG a.A.
Website: www.cargolifter.info
Fax: +49 (0)1212-6-646-37-6266
For further contact details (postal address),
please consult the imprint on page 4

This LifterNews is a single campaign for the benefit of Ex- or current CargoLifter shareholders. If you do not register now, you will not get any further information. Without your registration we assume that our records of you are out of date or you are no more interested in the CargoLifter company you once supported.

The re-launch – CL CargoLifter GmbH & Co. KG a.A.

by Mirko Hörmann,
Managing Director of CL CargoLifter GmbH & Co. KG a.A.

Dear fellow shareholders,



just like Mr. Middelmann, I followed the development of CargoLifter AG as a regular shareholder up to the time of its crisis, and was stunned by its insolvency, as you probably were, too. How could this have happened? Had irregularities taken place, as the press later repeatedly reported, and as claimed by the insolvency administrator? Together with other shareholders, I wanted to get to the bottom of this issue and contacted the company's employees and its Management Board. As a result, I became directly involved in the attempts to rescue the company from its state of insolvency, and also obtained detailed information about the events that had led to the company's insolvency. My conclusion is: CargoLifter's failure was only attributable to management to a small degree – and there is no indication of any kind of inappropriate behaviour. This means that external circumstances such as the collapse of the stock markets and the bursting of the dotcom bubble, the developments that unfolded after 11 September 2001 as well as the interests of lobby groups and individual persons (such as the former Economics Minister of Brandenburg, Mr. Fűrniß) were the key reasons for the company's downfall. For this reason, I was willing to serve as a member of the Supervisory Board of CargoLifter AG, without knowing at the time that I would eventually be in charge of a new CargoLifter company.

Founding a new company

We knew that we could not carry on business as a company that was insolvent, and hence asset-less, and with an uncooperative insolvency administrator. And when in 2005 the insolvency administrator wanted to sell off the intangible assets (patents / work results) by way of an international auction, a group of shareholders met and contributed funds into an account so that we were able to bid. At the same time, we intended to establish the "new CargoLifter" with the following objective (extract from its articles of association): "...to promote the development of 'lighter-than-air-technology' within the meaning of the approach chosen by CargoLifter, while safeguarding the interests of the shareholders of CargoLifter AG i.I."

In June 2005, the committee of creditors decided – despite the intervention by members of the German Bundestag representing the Federal State of Brandenburg – to sell the patents and work results to the airship manufacturer Luftschiffbau Zeppelin in Friedrichshafen (Germany).

Shortly thereafter, the three members of the Supervisory Board von Gablenz, Middelmann, and Hörmann founded CLifter GmbH, which serves as General Partner for CL CargoLifter GmbH & Co. KG a.A., which in turn was registered in the

commercial register in September 2005.

I, Mirko Hörmann, am the Managing Director of the limited liability company, Clifter GmbH. This limited liability company was given the task of managing CargoLifter KG a.A.

The members of the Supervisory Board are C. von Gablenz (chairman), A. Middelmann, and C. v. Kessel, the former head of production at CargoLifter. The company's share capital at the time was 250,000 Euro. The first General Meeting in August 2006 decided to increase the share capital up to 1.25 million Euro.

What have we achieved since founding the company?

The first step for the new company was to update the shareholder data on behalf of CargoLifter AG in a manner in which they could be used at all. A few thousand shareholders were contacted by phone and asked for their email addresses by colleagues who had organised a kind of call centre. We were thus able to increase the level of contact with shareholders, whom we subsequently informed regularly.

Step by step approach

The company also took on the responsibilities of communicating with potential customers, and used this information to develop new business plans. On the one hand, plans for lighter-than-air solutions involving freight airships and air cranes, regarding which we will be commencing a test phase shortly that is based on the experiences made by CargoLifter (see photo). On the other hand, plans for a totally new approach which permits the step-by-step development of an airship-type vehicle, while starting with a balloon-type vehicle. CargoLifter KG is following a different approach than CargoLifter did with its CL 160, and is pursuing the gradual implementation of smaller (2 – 20 tons) and medium-sized (20 – 40 tons) solutions up to airships of the size of the old Hindenburg with the possibility to lift and transport 80 tons. In doing so, CargoLifter KG is not acting in a capacity as a development or manufacturing company, but rather in the role of a coordinator that awards contracts.

To this end, discussions are being held with investors, but especially also with potential customers. In this context, Dr. von Gablenz and I took the opportunity to conduct intensive discussions in Canada in September 2006. We were highly supportive of the efforts of ISO Polar Inc. under the management of Prof. Dr. Barry Prentice, who for years has relentlessly promoted the use of lighter-than-air solutions in his country, be it in order to deliver supplies to the mining industry or to the indigenous inhabitants in remote areas in the northern areas of this vast country. This aspect is increasingly becoming important since the so-called ice roads can no longer be used reliably due to increasingly warm winters.

CargoLifter patents back in our possession

But perhaps the most welcome and surprising news is: CargoLifter KG has reacquired the patents of CargoLifter AG, which means that a substantial part of what we as shareholders paid for with our money is back in our possession. The original CargoLifter patent has already been registered in the name of CargoLifter KG!

And we reached an agreement with the management of Zeppelin Luftschifftechnik GmbH that in future grants us access to CargoLifter AG's work results. And we concluded an agreement with the insolvency administrator concerning the acquisition of the web domains cargolifter.de and cargolifter.com.

Renaissance of the CargoLifter community

You can also become a part of the CargoLifter community again, just like several hundred other "old" CargoLifter shareholders have done who



The Air Draisine that was presented for the first time on the first General Meeting of CargoLifter KG on 12 August 2006 in Berlin.

wish to see our project realised. CargoLifter KG has already placed all available shares from the capital increase. But we can put you in touch with a group of companies and persons who have declared their willingness to transfer some of those shares to interested parties.

The following pages of this issue of LifterNews contain information about and from the shareholders' association bearing the name of "Initiative Zukunft in Brand e.V." which is collaborating closely with the corporate bodies of the old and new CargoLifter companies.

Nowhere in Germany have shareholders' interests been represented with more competence and dedication than in this initiative. My membership no. is 7 – which number will you have in the near future?

Sincerely,
Mirko Hörmann

Initiative Zukunft in Brand gives shareholders a voice

by Wolfgang Pest,
Chairman of Initiative Zukunft in Brand e.V.

Dear fellow shareholders,



in Germany, filing an insolvency petition usually means that there is practically no hope of saving a company. This fact is exacerbated by the very powerful position of the insolvency administrator and the almost total marginalisation of the insolvent company's owners under German insolvency law. And

the creditors can only expect to receive a settlement in the amount of a minor fraction of their claims after several years, if at all. This is why usually only very few people care about the fate of a grounded company.

CargoLifter continues to be different

For many of the more than 70,000 investors of CargoLifter AG as well as for the shareholders of CargoLifter KG, CargoLifter was and is more than just an investment like any other. In May 1998, when hundreds of shareholders came to break the ground for the hangar and, later, to admire the completed AirCrane that was on display during the General Meeting, these shareholders invested much more than money – they also invested their heart and soul.

Therefore, the CargoLifter shareholders did not simply give up when the anticipated investment contributions of the industrial initiators of the project and the research funds of the Federal State of Brandenburg and German Federal Government failed to materialize and an insolvency administrator was put in charge at the halfway mark. Right from the start, the insolvency administrator commented negatively on the enterprise he had been entrusted with, and was unable to identify a market for large airships anywhere on earth.

Rescue mission with the help of an escrow account

A group of active shareholders initiated a rescue mission using an escrow account. Unfortunately, our funds at the time were limited so that we were not able to inform a number of shareholders sufficient for reaching the target amount, whereupon we refunded the contributions in accordance with the agreement.

Registered association founded

However, we did not give up, and on 01 May 2003, we founded the association "Initiative Zukunft in Brand" (IZiB – the name is a hidden reference to the name of the location of our hangar, "Auf dem Brand").

Since it was founded, the association has been representing the interests of the shareholders and supporters of the insolvent CargoLifter AG. And in many different ways, the association gave shareholders a voice, even if many of the persons concerned who do not have access to the media

in Brandenburg may not yet have heard of the association at all. Below, please find a brief presentation of some of the highlights of the activities of our association.

Shareholders are irrelevant in German insolvency proceedings

Due to the legal situation described above, we were not able to perform miracles. The owners of an insolvent company, i.e. in this case its shareholders, have no rights in insolvency proceedings in Germany. And the Supervisory Board also does not take part in the proceedings, and has no right of its own to file motions. (In our opinion, this represents a violation of fundamental property rights). Only creditors are entitled to assert claims for damages against the insolvency administrator who, as we can prove, committed several gross breaches of his duties. The creditors cannot even assert such claims themselves; rather, a court appoints a special administrator who is tasked with examining such claims. Since the creditors due to the actions of the insolvency administrator and of the committee of creditors are among the losers of the insolvency proceedings, we were able to convince some of them to assign their claims to us, letting us represent them. On this basis, an application for the appointment of a special administrator was filed in November 2006. Our ultimate objective is to remove the insolvency administrator, Dr. Mönning, from his office, and to hold those members of the committee of creditors (which is composed of political appointees) who are responsible for these developments accountable for wasting our money.

The process is expected to be arduous. But we will persevere and continue to pursue this objective resolutely, in particular because we have already achieved significant partial successes.

The future of CargoLifter

At the same time, we are helping to shape the future of CargoLifter! Because it won't serve the interests of CargoLifter shareholders if we watch as the substantial scientific and technical achievements slowly fade away while we wait and bemoan the losses we have incurred. Thus, many shareholders have informed us and the Supervisory Board of CargoLifter of their wish to ensure that their past involvement was not in vain, but that the development of large airships for freight transport should be continued.

Many prerequisites for a smooth resumption of business were initially lost, or were wrested from us. Not only the invested funds, but also the splendid hangar which now houses one of Brandenburg's many publicly subsidised recreational pools, the licences under aviation law, the technical-scientific documentation, but also patent and trademark rights, numerous models as well as experimental and measurement equipment that CargoLifter had manufactured itself, and not least CargoLifter's good reputation.

Other activities of the association:

- The shares and convertible bonds of CargoLifter have lost so much value that selling them on the stock exchange is generally not reasonable due to transaction costs. If you are incurring ongoing costs as a result of holding your securities, or if you wish to liquidate or settle your securities account, we provide the possibility of holding them in our association's securities account free of charge. Of course, if you so choose at a later date, we will transfer them back to you. Please feel free to contact us if you have any questions in this regard.
- We accept powers of attorney for representing your interests in General Meetings of CargoLifter KG a.A. and for carrying out your instructions. This way, in future, shareholder interests can be represented in a better and clearer manner than if each shareholder would try to do so on his or her own.
- We already organised two "Lighter-than-Air Sundays" in the context of our members' meetings, with speakers who are competent in this subject area. This included easy-to-understand presentations of technical information provided by CargoLifter engineers that had originally been classified as confidential.
- We publish a detailed members' circular (approximately 6 issues per year) containing information some of which is not publicly available. Thus, as a member, you are always provided with up-to-date information regarding your company.
- We facilitate contacts with potential users of lighter-than-air technology. One of the important CargoLifter KG a.A. contacts we established was with the Transport Institute at the University of Manitoba (Canada).
- We research attractive uses for currently available lighter-than-air technology that can be realised independently from or in collaboration with CargoLifter KG a.A. We make any resulting investment opportunities of interest available to CargoLifter shareholders.
- We have taken up the legal battle against the insolvency administrator, Dr. Mönning, in order to assert claims for damages resulting from his gross breaches of duties. We are collaborating with a number of creditors in this regard.
- Furthermore, we have begun to confront the political forces that were responsible for promoting the subtle expropriation of the owners of CargoLifter in the past. We are in the process of clarifying – in particular via the media – the events surrounding the insolvency and the manner in which it was handled.
- And we have started the political dialogue and lobby work for the general advancement of lighter-than-air technology in Germany in order to secure the lead in this technological area of the future that Germany currently still enjoys – although this lead is diminishing continuously. And we will also make sure that our experiences are taken into consideration in the political discussions surrounding the planned amendment of the German insolvency law.

But what no one has been able to take from us is the know-how of the employees, their experience, and their considerable loyalty to a company in which creative minds were able to thrive and were always assured of management's appreciation. And this fact is generating results: Due to the work carried out by former CargoLifter employees in their spare time, and at times even on a purely volunteer basis, new projects have already been started.

But why should efforts be invested in something that has "failed"?

Many people who lost money with CargoLifter are presumably asking themselves whether it makes sense to restart a project that has failed once already.

We believe that the business proposition is currently more promising than ever before. Even in a country with a highly developed transport infrastructure such as Germany, it is becoming increasingly difficult to plan ground-based transport routes for heavy loads. And far-away countries are hampered in their development because their natural resources cannot be used as a result of their insufficient infrastructure. And in the case of disasters, there is a lack of adequate means of transport for the delivery of relief supplies in view of the fact that the distances are often too great for helicopters. Climate change also represents a factor, for instance in Canada, where it is becoming increasingly difficult to rely on ice roads, the traditional routes for transporting heavy loads.

CargoLifter certainly did not fail due to low levels of demand for lighter-than-air transport. Quite the contrary, we are currently observing an increasing number of airship projects globally, which in part are being subsidised by governments with vast sums of money. In our opinion, the desire to develop and build the largest aircraft of all times all in one go turned out to be over-ambitious. The company was not yet sufficiently established in the market, making it too vulnerable.

In order to avoid this mistake in the future, the new CargoLifter KG a.A. will not try to avoid any necessary steps. It will start by developing small units – captive balloon systems –, will strictly comply with customers' demands, and grow organically on the basis of its economic success. Should it ever begin to stray from this path, the association will be there to remind it. Since association members hold the majority of

the share capital, we also have the necessary level of influence to do this effectively.

But these balloon systems must first also be developed, licensed, and manufactured. Therefore, our association is examining business models that permit the generation of revenues and profits in the reasonably short term with the help of relatively "small" lighter-than-air systems that are already available in the market, and that involve manageable development budgets. We are developing such projects up to a degree at which the responsible persons at CargoLifter KG a.A. can promptly reach a decision regarding implementation.

This is an additional way in which we are trying to offer the shareholders of the "old" CargoLifter AG exclusive opportunities to compensate their losses.

cause it was not possible to communicate with us directly. Rather, we depended on rumours spread by the media, while at the same time we were unable to make ourselves heard. This is precisely the reason for which the association was established. We have achieved quite a lot so far, and, with your help, we will achieve quite a lot more in future.

One of the most important requirements for a fresh start is to re-establish the contact between the company's corporate bodies and its shareholders, and also to facilitate the contact of shareholders among each other.

Strengthening the initiative by membership

Our association, which currently has approx. 700 members, is actively and vigorously supporting the re-launch of CargoLifter. Dear fellow shareholders: We are convinced – and would also like

Donations to help us "establish contact"

For mailing 70,000 letters even at the lowest rate, we need 17,500 EUR for postage alone. This sum does not yet include the cost of envelopes, printing, enveloping etc. So far, the funds to do so were not available. Since last year, we have been requesting donations, whereupon our members contributed more than 6,400 Euro. This enabled us to send the LifterNews to several thousand addresses. We would be very grateful to you if you decided to also donate for the purpose of contacting the remaining shareholders:

Account [IBAN]: DE40 7436 2663 0000 2166 07
Bank identification code [BIC]: GENODEF1ERG
Bank: Raiffeisenbank Altdorf–Ergolding
Reference: Contact to shareholders
Payee: Initiative Zukunft in Brand e.V.

We would like to point out that as an association of shareholders acting for shareholders, we are not recognised as a non-profit organisation, and are therefore not able to issue tax-deductible receipts for donations.

Contact to shareholders

Today's association members consider themselves a small core of a large community of around 70,000 CargoLifter shareholders who have contributed more than 300 million EUR towards developing a thoroughly positive and environmentally friendly transport technology that has a potential that is undisputed among experts and a very broad scope that cannot yet be fully fathomed.

If you investigate the events surrounding the onset and the handling of the insolvency, you will quickly realise that we, as owners, were victims of a subtle form of expropriation. In part, this was only possible because we had no voice, and be-

to convince you – that becoming a member (for only 30 € per year) or even actively working within one of Germany's few shareholders' associations is in your best interest, and that you will be contributing to the continued pursuit of the technology offensive that you have co-financed.

Sincerely,

Your Initiative Zukunft in Brand e.V.
Wolfgang Pest

+++ Imprint +++

CargoLifter AG i.l.
Management Board and Supervisory Board

CL CargoLifter GmbH & Co. KG a.A.

Sophie-Charlotten-Straße 57 / 58

14057 Berlin (Germany)

<http://www.cargolifter.info>

info@cargolifter.info

Responsible for editorial contributions

on behalf of CargoLifter AG i.l.:

Arnd Middelmann (Chairman of the Supervisory Board)

CL CargoLifter GmbH & Co. KG a.A.: Mirko Hörmann (Managing Director),

Initiative Zukunft in Brand e.V.: Wolfgang Pest (Chairman)



Initiative Zukunft in Brand e.V.

PO Box 280115

01141 Dresden (Germany)

<http://www.zukunft-in-brand.de>

info@zukunft-in-brand.de

Registered address (not for correspondence):

Groß Berliner Damm 73 E

12487 Berlin (Germany)

Registration court: District Court Charlottenburg • VR 22623

Executive manager under Section 26 BGB [German Civil Code]:

Wolfgang Pest, Landshut, Germany (Chairman)

Andreas Werner, Dresden, Germany (Deputy Chairman)

Roland Grün, Erlangen, Germany (Treasurer)



Initiative Zukunft in Brand e.V.