

**Minutes of the Meeting of the
Air Transportation Stabilization Board
November 26, 2002**

The meeting of the Air Transportation Stabilization Board (“Board”) was held in the offices of the Board of Governors of the Federal Reserve System at 20th Street and Constitution Avenue, Washington, D.C., on Tuesday November 26, 2002.

The following people were present at the meeting:

Board

Edward M. Gramlich, Chairman of the Board, and Governor, Federal Reserve Board
Peter R. Fisher, Voting Member of the Board, and Under Secretary for Domestic Finance,
Department of the Treasury
Kirk K. Van Tine, Voting Member of the Board, and General Counsel, Department of
Transportation

Board Staff

Daniel Montgomery, Executive Director
William Abrams, Senior Vice President
Michael Kestenbaum, Senior Financial Analyst
James Levine, Chief Legal Counsel
Jaydeep Borwankar, Financial Analyst
Christiana Cameron, Financial Analyst

Federal Reserve Board

J. Virgil Mattingly, General Counsel
Daniel E. Sichel, Senior Economist
Christopher W. Clubb, Senior Counsel

Department of the Treasury

Roger Kodat, Deputy Assistant Secretary for Government Financial Policy
Michael D. Scott, Senior Advisor to the Deputy Assistant Secretary for Government Financial
Policy
Brad S. Lerner, Attorney

Department of Transportation

Terence W. Carlson, Attorney, Office of General Counsel
Nancy Kessler, Attorney, Office of General Counsel
Regis Milan, Associate Director, Office of Aviation Analysis
Suzanne Shaps, Office of Inspector General
Bernard Fishman, Office of Inspector General

GAO did not attend this meeting.

Gov. Gramlich called the meeting to order at 10:05 a.m.

The meeting commenced with a discussion about MEDjet International Airlines, Inc., an applicant for a Federal loan guarantee. The Executive Director summarized MEDjet's application, the consultants' reports, and MEDjet's financial projections. He discussed the applicant's financial controls, financial operating history, liquidity and probability of default. He discussed the applicant's new revenue initiatives and related concerns raised by the Board's consultants. The Executive Director summarized the application under the statutory and regulatory criteria and recommended that the application be denied. The Board unanimously voted to deny MEDjet's application.

The Executive Director next discussed the application of Corporate Airlines, Inc. The Executive Director summarized Corporate's revised application and revised business plan and discussed recent correspondence with the applicant. He discussed Corporate's plans to expand hub operations, the effect on Corporate of Midway Airline's bankruptcy filing, Corporate's liquidity position and its ability to withstand external shocks to revenues. The Executive Director discussed the credit rating assigned to Corporate by the Board's financial consultant, information recently submitted by the applicant, and the financial consultant's reaffirmation of the rating after reviewing the new information. He discussed Corporate's probability of default and other statutory and regulatory criteria and recommended that the application be denied.

Mr. Van Tine discussed the company's statements that if denied a loan guarantee, Corporate would be able to sustain itself, but would have to continue to cut costs. Additionally, Mr. Van Tine discussed Corporate's statements regarding Corporate's access to state and local government support for its expansion strategy. The Board voted unanimously to deny Corporate's application.

The Board instructed staff to transmit correspondence to MEDjet and Corporate consistent with discussions at the meeting.

The Executive Director next discussed developments with the application of Evergreen International and the application of US Airways. The Executive Director and the Board members discussed pension issues related to US Airways. Mr. Fisher stated that he sits on the board of the PBGC. Mr. Fisher commented on the impact of US Airways' ability to reduce liabilities in bankruptcy and US Airways' access to the capital markets. The Board's Legal Counsel discussed the statutory requirement that credit not be reasonably available to the applicant at the time of the transaction.

Chairman Gramlich and the Executive Director discussed the timing of reviewing remaining applications.

The Executive Director next discussed United Airlines, an applicant for a Federal loan guarantee. He discussed the financial consultant's credit report, the proposed collateral package, the staff's views about collateral and its concerns about certain categories of the proposed collateral. Chairman Gramlich and Mr. Fisher discussed the financial consultant's rating methodology for secured and unsecured ratings and the diversity, complexity and value of the proposed collateral. Chairman Gramlich and Mr. Van Tine discussed United's routes and slots as a source of collateral. The Executive Director discussed the impact of a reduction in capacity on the value

of United's route network. The Executive Director next discussed United's proposed non-labor cost and revenue improvements, timing issues and pension obligations. Chairman Gramlich and Mr. Fisher discussed United's pension obligations, possible waivers and external credit requirements.

Michael Kestenbaum gave an overview of United's revenue forecast. Mr. Fisher and Mr. Kestenbaum discussed the effect more conservative revenue forecasts would have on United's business plan. The Executive Director discussed the probability of default and the working group's upcoming meeting with United and representatives of its labor coalition. Mr. Fisher and the Executive Director discussed United's responses to written questions that had been posed by the Board staff and working group. Chairman Gramlich asked the staff about the reasonableness of certain assumptions used in United's business plan and the impact of these assumptions on the company's projections. Mr. Van Tine and the Executive Director discussed the timing of Board action on the application. Mr. Fisher and the Board's Legal Counsel discussed the safe, efficient and viable criteria. The Chairman and the Executive Director discussed the inadequacies of United's collateral proposal.

The Board unanimously adopted the minutes for the November 4th meeting. The Board's Legal Counsel stated that the November 4th minutes reflect that Mr. Van Tine was acting on Secretary Mineta's behalf, that Mr. Van Tine has been acting on Secretary Mineta's behalf prior to November 18, 2002, and that on November 18, 2002, Secretary Mineta designated Mr. Van Tine to be the voting member of the Board.

The meeting was adjourned at 11:30 a.m.