

**Minutes of the Meeting of the  
Air Transportation Stabilization Board  
June 28, 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, 20<sup>th</sup> Street and Constitution Avenue, Washington, D.C., on Friday, June 28, 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

**Board Staff**

Daniel Montgomery, Executive Director  
Michael Kestenbaum, Financial Analyst  
James Levine, Legal Counsel  
Cameron Fleming, Senior Vice President  
Jaydeep Borwankar, Financial Analyst

**Others**

**Federal Reserve Board**

J. Virgil Mattingly, General Counsel  
Daniel E. Sichel, Senior Economist, Division of Research and Statistics  
Christopher W. Clubb, Senior Counsel

**Department of the Treasury**

Roger E. Kodat, Deputy Assistant Secretary for Government Financial Policy  
Brad S. Lerner, Attorney  
Rebekah Holman, 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  
Mark Dayton, Office of Inspector General

Kirk K. Van Tine, Voting Member of the Board, and General Counsel of the Department of Transportation, did not attend this meeting.

GAO did not attend this meeting.

Chairman Gramlich called meeting to order at 2:30 p.m

The meeting commenced with a discussion about US Airways (“USAir”), an applicant for a Federal loan guarantee.

The Executive Director gave a brief description of the proposed transaction and the recent change in proposed lenders. He provided an update on USAir’s negotiations with labor, lessors and other creditors, and its proposed alliance. He gave an overview of USAir’s financial model and business plan. He discussed the addition to the proposed collateral, the Fitch report, the credit subsidy estimates and the status of warrant negotiations.

The Executive Director discussed accounts receivable as a proposed source of collateral and the various appraisals received by the Board.

The Executive Director, the Chairman and Mr. Fisher discussed accepting gates and slots as collateral, the significance of being on a parity with other lenders and USAir’s tranche B lenders’ position on collateral, the credit subsidy, and discounting USAir’s appraisal.

Mr. Fisher discussed the availability of alternate credit. The Executive Director discussed the dislocation in existing bank markets. Roger Kodat suggested that the tranche B lenders would be overcollateralized if all of the gates and slots offered by USAir to support the entire loan were used to secure the tranche B only. The Chairman discussed warrants and fees in relation to the collateral at issue. Mr. Fisher noted his preference for the collateral as well as warrants. Terence Carlson, Nancy Kessler, the Chairman and Mr. Fisher discussed DOT comments concerning possible conflicts of interest in the Board taking gates and slots as collateral and DOT discharging its statutory and regulatory responsibilities regarding the same collateral in a manner that may affect its value. Mr. Fisher stated his disagreement with any decision to not take the collateral.

The Chairman stated his belief that USAir was well positioned to claim damages from 9/11.

Mr. Fisher and the Chairman discussed USAir’s offer of warrants, the government’s minimum requirements, the possibility of USAir amending its charter to provide additional warrants, and the need for anti-dilution provisions to protect the government’s interest.

Mr. Fisher indicated that he looked favorably upon USAir’s business plan, its concessions and deserving nature with respect to 9/11. The Chairman agreed and Mr. Fisher and the Chairman discussed the extent to which feedback could be delivered to the applicant and the impact on other major applicants.

The Executive Director discussed the need for confidentiality of submitted information and the need for working group members to coordinate through the Board staff all communication with the Board's consultants. The Chairman reiterated these points to attendees.

The Executive Director next discussed the application of National Airlines, the information submitted on June 27, 2002, including National's request that the Board defer any decision on its application, and his recommendation of deferring action until the additional information could be assessed. Mr. Fisher suggested informing National of the Board's concerns regarding its business plan, its fleet financing plan, its revenue forecast and its need for equity.

The Chairman and Mr. Fisher agreed that the staff would compile a final list of applications for the Board to consider.

The Executive Director indicated that Spirit Airlines would be presented for a vote at the next Board meeting and described Evergreen Airlines' latest information submittal. Mr. Fisher noted that national security was not set forth in the Act or the OMB regulations as a factor to be considered by the Board in evaluating loan guarantee applications.

The Executive Director presented a list of applications received to date.

The Chairman and Mr. Fisher approved minutes for the Board's April 4 meeting as well as the May 21 meeting.

Mr. Fisher discussed releasing the Board's prior minutes to the public and the Chairman agreed in principle, provided that the minutes are appropriately redacted for confidentiality concerns.