

**Minutes of the Meeting of the
Air Transportation Stabilization Board
June 2, 2003**

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 June 2, 2003.

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
Christiana Cameron, Financial Analyst

Federal Reserve Board

Daniel E. Sichel, Senior Economist
Christopher W. Clubb, Senior Counsel

Department of the Treasury

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

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
Bernard Fishman, Office of Inspector General
Mark Dayton, Office of Inspector General

GAO did not attend this meeting.

Chairman Gramlich called the meeting to order at 1:00 p.m.

The Chairman congratulated Michael Kestenbaum on his acceptance to Wharton business school and thanked him for his service on the Board staff.

The Board adopted the minutes of the Board's last meeting, April 23, 2003.

The Executive Director discussed monitoring the Board's portfolio of guaranteed loans and distributed quarterly reports on America West, American Trans Air, Aloha and Frontier Airlines. He discussed the status of United Airlines' bankruptcy and Evergreen International Airlines' intention to withdraw its request for a loan guarantee in light of its successful capital markets transaction.

The Executive Director next discussed the application of Gemini Air Cargo, Inc. He discussed Gemini's application history and its request for delayed consideration of its application. He reviewed elements of Gemini's restructuring initiatives, the contributions of its stakeholders and an additional equity infusion from an existing shareholder.

The Executive Director discussed Gemini's proposed loan transaction, equity compensation and potential collateral arrangements. He discussed the reports of the Board's financial and industry consultants and the concerns raised therein. The Executive Director discussed the staff's view of Gemini's application under the statutory and regulatory criteria and the staff's recommendation that the application be denied.

Mr. Van Tine inquired whether recent information submitted by Gemini would change the staff's recommendation. The Executive Director stated his view that the recent information did not affect the staff recommendation. Chairman Gramlich and the staff discussed the competitive environment in the air cargo industry, the possibility of entry or expansion by other players in the industry, and the likelihood of a carrier maintaining a cost-based competitive edge in the industry.

The Chairman called for a vote on Gemini's application. Mr. Fisher and Mr. Van Tine voted to deny the application. The Chairman indicated that, although he was impressed with the improvements made to Gemini's application, he determined that the statutory criteria were not satisfied. The Chairman noted the high credit subsidy presented by the application and the lack of mitigating factors to offset the credit subsidy. The Chairman voted to deny the application.

The Board revised and approved a letter to the applicant.

The meeting ended at 1:45 p.m.