



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

AIR TRANSPORTATION STABILIZATION BOARD

December 20, 2002

Mr. Jack Knight
President and Chief Executive Officer
Ozark Airlines, Inc. d.b.a. Great Plains Airlines
6501 E. Apache Street
Tulsa, Oklahoma 74115

Dear Mr. Knight:

In accordance with the Air Transportation Safety and System Stabilization Act, Pub. L. No. 107-42, 115 Stat. 230 (the “Act”) and the regulations promulgated thereunder, 14 CFR Part 1300 (the “Regulations”), the Air Transportation Stabilization Board (the “Board”) has considered the application of Ozark Airlines, Inc. d.b.a. Great Plains Airlines (“Great Plains”) dated June 28, 2002, as supplemented (the “Application”), for a Federal loan guarantee of \$17 million on a loan of \$25 million.

During the process of reviewing the Application, the Board staff held telephone calls with you and communicated requests for additional information. The Board staff met with you and your advisors during the summer and this fall on October 21, November 7 and December 11. Representatives of each Board member attended the meeting on October 21. Following these meetings and communications, the Board staff and representatives of each Board member fully briefed the Board members on the Application.

The Board has carefully considered the Application under the standards set out under the Act and the Regulations. The Board’s consideration included a review and analysis of the Application by the Board’s staff and the Board’s financial and industry consultants. The Board staff has repeatedly requested details of the proposed transaction, but such information has not been submitted. Based on its review, the Board determined that the Application did

not meet the applicable standards, and, accordingly, the Board unanimously voted to deny the Application.

The Board determined that Great Plains' proposal did not provide a reasonable assurance that Great Plains would be able to repay the loan, an important evaluation criteria that the Board is required to consider in assessing loan applications. The Board's financial consultant assigned Great Plains' proposed financing an extremely low credit rating. Such a rating implies a high probability of default. For all government-guaranteed loan applications, a credit subsidy is computed, which represents the expected cost to the U.S. taxpayers of guaranteeing the loan. The figures for Great Plains implied a high probability of default and related credit subsidy that the Board deemed too high to impose on the U.S. taxpayers. In addition, based upon Great Plains' past financial results and the Board's concerns about Great Plains' optimistic expansion strategy and the financial projections related thereto, the Board was unable to conclude that the loan by Great Plains was prudently incurred.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Daniel G. Montgomery
Executive Director

Cc: Edward Gramlich
Kirk Van Tine
Peter Fisher