

**Minutes of the Meeting of the
Air Transportation Stabilization Board
November 4, 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 Monday November 4, 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, General Counsel, Department of Transportation, on behalf of Secretary
Mineta

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 E. Kodat, Deputy Assistant Secretary for Government Financial Policy
Brad S. Lerner, Attorney

Department of Transportation

Terence W. Carlson, 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
Mark Lawton, Office of Inspector General

GAO did not attend this meeting.

Gov. Gramlich called the meeting to order at 2:05 p.m.

The meeting commenced with a discussion about United Airlines, an applicant for a Federal loan guarantee. The Executive Director discussed transmitting an information request to the applicant. The Chairman, Mr. Fisher and Mr. Van Tine discussed the contents of the request and the merits of publishing the request.

The Executive Director then updated the Board on the status of other applications. He discussed US Airways' third quarter financial results, pension liabilities and pursuit of additional cost savings. He discussed the possibility of presenting Evergreen at the next Board meeting. Mr. Fisher requested a revised calendar for the remaining applicants.

The Board then took up the application of Frontier Airlines. The Executive Director summarized Frontier's position in the industry and the transaction structure. He discussed the impact of 9/11 and Frontier's access to credit. He discussed the Board's consultants' reports, Frontier's credit rating and past financial performance. He described the collateral proposal, Frontier's proposal on Board compensation, the probability of default and the estimated credit subsidy. He summarized the staff's analysis under the statutory and regulatory criteria and recommended approving the transaction subject to additional compensation. Mr. Fisher discussed the credit subsidy and additional compensation. Mr. Van Tine expressed positive views about Frontier and the risk in the transaction. Mr. Fisher agreed. The Board voted unanimously to approve the transaction and instructed the Board staff to transmit a conditional approval to Frontier consistent with the staff recommendation and Board discussion.

The Board next took up the application of Aloha Airlines. The Executive Director summarized Aloha's application, discussed Aloha's importance in Hawaii's cargo industry and Aloha's increasing mainland business. He discussed Aloha's failed attempts at merger, liquidity and credit rating. He discussed the status of Aloha's negotiations with stakeholders, including labor and lessors. He discussed the estimated credit subsidy, probability of default and Aloha's proposed Board compensation. He summarized the staff's analysis under the statutory and regulatory criteria, described concerns raised by the Board's consultants' reports and the potential benefits of Aloha's Section 116 waiver. Mr. Van Tine elaborated on Aloha's Section 116 waiver and expressed the view that the Board's consultant had overstated the concern about the expiration of the waiver and the ease with which a replacement cargo carrier could replace Aloha. Mr. Van Tine indicated that he was inclined to approve the application, but would like to see the probability of default reduced, perhaps through accelerated repayment, if possible. The Chairman discussed Aloha's offer of warrants. Mr. Fisher questioned whether Aloha's cash forecasts were sustainable, discussed Aloha's mid-term liquidity as well as Aloha's ownership structure. He inquired about collateral, discussed Aloha's competitive position and expressed an interest in obtaining additional information about Aloha's business dynamics and financial forecasts. Mr. Fisher indicated that the commitment of existing shareholders should be increased and repayment accelerated. After a discussion of the conditions to which the approval should be subject, the Board unanimously voted to approve the application with such conditions set out in the letter to Aloha.

The Board next took up administrative matters. The Chairman confirmed that, to date, the Board had approved applications from two major carriers and three non-major carriers. The Board adopted minutes for previous Board meetings held on August 14, 2002, September 18, 2002

(electronic), September 26, 2002 and October 17, 2002. The Board discussed confidentiality issues and requests for reconsideration.

The meeting adjourned at 3:10 p.m.