

**Minutes of the Meeting of the  
Air Transportation Stabilization Board  
April 23, 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 20<sup>th</sup> Street and Constitution Avenue, Washington, D.C., on Wednesday April 23, 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  
Bill 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**

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

**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 10:07 a.m.

The Executive Director commenced with an update on Evergreen International Airlines, its investigation of alternative financing sources, its reluctance to grant the Board equity participation and the significance of Evergreen's ability to attract outside capital. He discussed developments in the application of Gemini Airlines and its efforts to secure lease concessions. He discussed recent developments at America West Airlines including its reported losses, revised projections and future liquidity concerns.

Chairman Gramlich inquired about the timing of United Airlines' bankruptcy proceedings and its possible submission of a revised business plan. Mr. Fisher and the Executive Director discussed market expectations regarding United's emergence from bankruptcy. The Executive Director reported that he had advised United that the Board would not take a position on any particular pension initiative.

The Executive Director next discussed developments in the application of World Airways since the last Board meeting. He updated the Board on revisions to World's business plan, additional lease concessions it had obtained and its proposal to shorten the tenor of the Board-guaranteed loan. He discussed World's improved performance during the first quarter of 2003.

Mr. Fisher expressed three concerns: (1) that World had not met the burden of demonstrating losses caused by the terrorist attacks of September 11, 2001; (2) that World had not met the burden of demonstrating the guarantee was necessary to a safe, efficient and viable commercial aviation system; and (3) regarding the negotiation of lease rates, the staff's conclusion that lease rates remain substantially above-market.

With respect to losses suffered by World, Mr. Van Tine noted that World had received compensation under the Stabilization Act for actual losses in excess of \$3 million. The Executive Director stated his opinion that the terms of World's existing credit facility were comparatively harsh, even among asset-based loan facilities. The Board and staff discussed whether the harsh terms of World's existing facility constitute evidence of the unavailability of credit on reasonable terms. The Board also discussed application of the safe, efficient and viable criteria to World's application, including World's participation in the CRAF program. Finally, the Board and staff discussed World's business strategy with respect to its aircraft leases.

Chairman Gramlich noted that Mr. Fisher raised areas of appropriate concern for the Board and stated that World could have done a better job addressing certain issues in its application. Chairman Gramlich concluded, however, that World met the necessary standards and stated that he was inclined to support the application, noting, among other factors, the transaction's low estimated credit subsidy.

Chairman Gramlich called for a vote on the application of World Airways. The Board voted 2:1 to approve the application of World Airways, as revised, with Mr. Fisher dissenting. The Board reviewed and approved a letter to the carrier.

The Executive Director next discussed developing a system of monitoring the Board's loan portfolio and staffing requirements.

The meeting ended at 11:00 a.m.