

**Minutes of the Meeting of the
Air Transportation Stabilization Board
July 10, 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, 20th Street and Constitution Avenue, Washington, D.C., on Wednesday July 10, 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, Voting Member of the Board, and General Counsel of the Department of Transportation

Board Staff

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

Others

Federal Reserve Board

J. Virgil Mattingly, General Counsel
Daniel E. Sichel, Senior Economist, Division of Research and Statistics
Donald J. Winn, Assistant to the Federal Reserve Board
Christopher W. Clubb, Senior Counsel

Department of the Treasury

Michael D. Scott, Senior Advisor to the 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
Bernard Fishman, Office of Inspector General
Mark Dayton, Office of Inspector General

Curtis, Mallet-Prevost
Dan Lenihan, Partner

GAO did not attend this meeting.

Chairman Gramlich called meeting to order at 3:37 p.m.

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

The Executive Director provided an update on USAir’s negotiations with labor groups, lessors and other creditors, and its potential alliance partners. He discussed certain bankruptcy issues relating to the applicant.

The Executive Director then summarized the staff’s views as to the transaction structure under the Act and the regulations. He discussed fees, other compensation and collateral.

The Chairman voted to approve the transaction, provided that certain conditions regarding the Government’s participation in the financial success of the borrower are enhanced. Mr. Fisher agreed and voted to approve the transaction but believed the proposed compensation was inadequate. The Chairman discussed the credit subsidy estimates and the transaction. Mr. Van Tine voted to approve. He stated that he was comfortable proceeding with the transaction on the basis presented and also discussed enhancing the Government’s equity participation. Mr. Van Tine and the Executive Director discussed the regulatory process in relation to the proposed alliance, the value of the alliance and certain timing issues. Mr. Van Tine pointed out that the Board should not assume for purposes of its financial analysis that the alliance would be approved or that the asserted economic benefits would materialize.

Mr. Van Tine and Mr. Fisher discussed DOT’s concerns about the Board accepting a pledge of slots and gates as collateral due to DOT’s regulatory authority and the potential for adverse effects on collateral value. Mr. Van Tine stated that no agreement by the Board could in any way restrict or impinge on DOT’s regulatory powers or duties, and that it would be essential to include reservation of DOT’s rights in all of the transaction documentation. The Board agreed to mention gates and slots specifically in the conditional approval letter to the applicant.

The Board reviewed, modified and approved a conditional approval letter to the applicant and a related press release. The Board authorized the Executive Director to transmit the letter to the applicant, report back to the Board as the conditions precedent become satisfied and prior to consummation of the transaction.

The meeting ended at 4:35.