

**Minutes of the Meeting of the  
Air Transportation Stabilization Board  
July 29, 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, 20<sup>th</sup> Street and Constitution Avenue, Washington, D.C., on Monday July 29, 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**

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  
Roger Kodat, 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  
Suzanne Shaps, Office of Inspector General  
Bernard Fishman, Office of Inspector General  
Mark Dayton, Office of Inspector General

GAO did not attend this meeting.

Chairman Gramlich called meeting to order at 1:18 p.m.

The meeting commenced with a discussion among the Board and Legal Counsel about the completeness of outstanding applications and the publication of redacted minutes of prior Board meetings. Legal Counsel recommended that all applications received prior to the deadline be deemed complete. The Board instructed Board staff to publish redacted minutes of prior meetings at the earliest convenience.

The Board next discussed the revised application of Vanguard Airlines. Cameron Fleming described the revisions and presented the Board staff's analysis under the Act and the regulations. He outlined certain statements made by representatives of Vanguard at a recent meeting with Board staff regarding improved financial performance and equity investments. He described aspects of the financial information previously submitted by Vanguard and described conversations he'd held with Vanguard's potential equity placement agent.

Mr. Fisher and Mr. Van Tine discussed the completeness of Vanguard's application, recognizing that a substantive review had already been performed. Mr. Fisher discussed the impact of a potential bankruptcy filing by the applicant. Legal Counsel discussed the completeness of Vanguard's application. The Chairman suggested that the Board vote on the merits of Vanguard's application. The Board voted unanimously to deny Vanguard's application and discussed various aspects of the criteria set forth in the Act and the regulations that Vanguard failed to satisfy and which were to be raised in a letter to Vanguard.

The Board next discussed the application of Spirit Airlines. Cameron Fleming described additional information received from the applicant and the Board's consultants and presented the Board staff's analysis of the application under the Act and the regulations.

Mr. Van Tine, the Chairman and Cameron Fleming discussed certain of Spirit's major cost items and revenue projections in the context of assuring repayment of the proposed loan. Mr. Fisher indicated he could not support approval and discussed Spirit's business plan, the probability of default and certain cost items. Mr. Van Tine suggested that the flaws in Spirit's application were such that Spirit should be given a limited amount of time with which to improve their application. The Chairman identified four flaws in Spirit's application but agreed to Mr. Van Tine's suggestion. Mr. Fisher agreed to a limited extension. The Board instructed staff to develop a list of points for Spirit to address prior to the next Board meeting. Board staff circulated a draft letter to Vanguard and the Board instructed staff to revise it in accordance with the meeting's discussions and transmit it to Vanguard.

The meeting ended at 2:20.