

**Minutes of the Meeting of the
Air Transportation Stabilization Board
August 11, 2005**

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 Thursday, August 11, 2005.

The following people were present at the meeting:

Board

Edward M. Gramlich, Chairman of the Board, and Governor, Federal Reserve Board
Timothy Bitsberger, Voting Member of the Board, and Assistant Secretary for Financial Markets, Department of the Treasury (by telephone)
Jeffrey N. Shane, Voting Member of the Board, and Under Secretary for Policy, Department of Transportation

Board Staff

Mark R. Dayton, Executive Director
Marguerite S. Owen, Legal Counsel
Steven Sigfusson, Intern

Federal Reserve Board

Donald L. Kohn, Chairman-designate of the Board, and Governor, Federal Reserve Board
Dan Sichel, Assistant Director
Christopher W. Clubb, Senior Counsel

Department of the Treasury

Brad S. Lerner, Attorney
Lachlan Seward, Senior Advisor to the Fiscal Assistant Secretary
Brian Jackson, Chief Financial Officer, Federal Financing Bank

Department of Transportation

Terence W. Carlson, Attorney, Office of General Counsel
Nancy Kessler, Attorney, Office of General Counsel

Department of Justice

Andrea Handel, Trial Attorney, Civil Division

Curtis, Mallet-Prevost, Colt & Mosle LLP

Steve Reisman, Partner

Lazard Freres & Co., LLC

David Kurtz, Managing Director
Joseph Maybank, Managing Director, Corporate Finance

Doug Fordyce, Director
Eric Mendelsohn, Director
Joe Miller, Associate

GAO did not attend this meeting.

Governor Gramlich called the meeting to order at 3:10 p.m.

Governor Gramlich reminded the Board that today was expected to be his last meeting of the Board prior to his departure from the Federal Reserve Board at the end of August. He introduced Governor Kohn, who has been designated by Federal Reserve Board Chairman Greenspan to succeed Governor Gramlich as Chairman of the Board and was attending the meeting.

The Board voted unanimously to adopt the minutes of the May 20, 2005 and July 22, 2005 Board meetings.

The Executive Director provided the Board with an update on each borrower and loan that the Board guarantees and presented an analysis of historical and projected cash flows to the Board from warrants and loans guaranteed by the Board. He also provided a brief update on the ATA bankruptcy and the US Airways, Inc. ("US Airways") bankruptcy.

Mr. Maybank presented an analysis and description of various strategies available to the Board to realize value from the stock warrants held by the Board in several of the airlines for whom the Board has guaranteed loans.

The Executive Director briefed the Board on the expected timeline for closing the proposed merger of US Airways and America West Airlines, Inc. ("AWA") and US Airways' emergence from bankruptcy. The Executive Director, Lazard representatives, and Mr. Reisman presented an overview of the major renegotiated terms of the guaranteed loans to AWA and US Airways. There followed a discussion of various issues concerning the structure of the loans on emergence from bankruptcy and some of the operational, strategic and policy considerations.

Following the presentation and discussion, Lazard representatives left the meeting and the Board discussed the immediate steps to be taken on behalf of the Board in anticipation of the US Airways merger and emergence from bankruptcy. The members of the Board unanimously voted that Lazard be retained to research the remarketing or sale of the Board's warrants and debt portfolio in the market and report to the Board within the next few weeks.

The meeting was adjourned at 5:20 p.m.