

**Minutes of the Meeting of the  
Air Transportation Stabilization Board  
February 11, 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 Tuesday February 11, 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

**Federal Reserve Board**

J. Virgil Mattingly, General Counsel  
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  
Brad S. Lerner, Attorney

**Department of Transportation**

Terence W. Carlson, 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

**Curtis, Mallet-Prevost, Colt & Mosle LLP**

Dan Lenihan, Partner  
Steve Reisman, Partner

GAO did not attend this meeting.

Chairman Gramlich called the meeting to order at 10:05 a.m.

Chairman Gramlich and the Board's Legal Counsel discussed the status of minutes from prior Board meetings. The Board unanimously approved minutes of the Board's meetings on December 4, 2002, and December 20, 2002.

The Executive Director provided the Board with a brief overview of MEDjet International's request for reconsideration. He reviewed the supplemental materials received from the company in January and stated that the changes proposed by the company had not altered the Board staff's earlier recommendation. He disclosed that the Board's financial consultant had reviewed the supplemental materials and had not changed the credit rating that it assigned to MEDjet's proposal. The Board decided unanimously that the supplemental materials presented did not change in a material manner the underlying rationale for the Board's prior decision to deny the application. The Board reviewed and approved a letter to the company.

The Executive Director indicated that he would provide an update to the Board in the near future regarding America West Airlines (AWA), one of the carriers that received a loan guarantee. He discussed AWA's announced intention to close its Columbus hub and to dispose of certain regional jets.

The Executive Director presented the revised application submitted by US Airways. He discussed the company's reaction to the current revenue environment and its decision to reduce its revenue projections and seek further cost concessions. He discussed the company's pension funding issue, the impact on profitability and cash flow projections. He updated the Board on the status of the company's discussions with PBGC and ALPA and the defined contribution plan reflected in the business model.

The Executive Director gave an overview of the proposed transaction and discussed the report of the Board's financial consultant. The Executive Director assessed the application under the statutory and regulatory criteria and recommended approval subject to several conditions.

The Board discussed with staff the payment of guarantee fees and the use of gates and slots as collateral.

The Board voted unanimously to conditionally approve US Airways' application and reviewed and approved a letter to the company.

The Executive Director next discussed the application of World Airways. He reviewed the applicant's operations and historic financial performance. He discussed the proposed transaction structure and highlighted the applicant's current financial structure and existing credit facilities. He discussed World's revenue base and current efforts at lease renegotiation.

Mr. Van Tine and the Executive Director discussed the applicant's management. The Executive Director discussed the report of the Board's financial consultant. The Chairman and Mr. Van Tine discussed the default probability and the credit subsidy methodology. Mr. Fisher discussed the company's forecast for Air Mobility Command revenues and whether the company had

demonstrated losses due to September 11, 2001. Mr. Fisher summarized his views on the application focusing on harm from September 11, 2001, the applicant's credit rating, the necessity for a Federal guarantee, the applicant's lease rates and the fee structure. Mr. Van Tine suggested that the applicant commence discussions with its lessors. The Board decided to defer action on the application and instructed the Board staff to continue discussions with the applicant.

The meeting was adjourned at 11:50 a.m.