



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

[Air Transportation Stabilization Board Letterhead]

Daniel Montgomery
Executive Director

November 26, 2002

Fred S. Breeden
Chief Financial Officer
Corporate Airlines, Inc.
693 Fitzhugh Boulevard
Smyrna, Tennessee 37167

Dear Mr. Breeden:

In accordance with the Air Transportation Safety and System Stabilization Act, Pub. L. No. 107-42, 115 Stat. 230 (the "Act") and the regulations promulgated thereunder, 14 CFR Part 1300 (the "Regulations"), the Air Transportation Stabilization Board (the "Board") has considered the application of Corporate Airlines, Inc. ("Corporate") dated June 26, 2002, as supplemented (the "Application"), for a Federal loan guarantee of \$7 million on a loan of \$8 million.

During the process of reviewing the Application, the Board staff held telephone calls with you and your advisors and communicated additional requests for information. The Board staff met with you and your advisors on August 21, 2002 and November 6, 2002. Representatives of each Board member attended the meeting on November 6, 2002. Following these meetings and communications, the Board staff and representatives of each Board member fully briefed the Board members on the Application.

The Board has carefully considered the Application under the standards set out under the Act and the Regulations. The Board's consideration included a review and analysis of the Application by the Board's staff and the Board's financial and industry consultants. Based on

its review, the Board determined that the Application did not meet the applicable standards, and, accordingly, the Board voted to deny the Application.

The Board determined that Corporate's proposal did not provide a reasonable assurance that Corporate would be able to repay the loan, an important evaluation criteria that the Board is required to consider in assessing loan applications. The Board's financial consultant assigned Corporate's proposed financing an extremely low credit rating. Such a rating implies a high probability of default. For all government-guaranteed loan applications, a credit subsidy is computed, which represents the expected cost to the U.S. taxpayers of guaranteeing the loan. The figures for Corporate implied a high probability of default and related credit subsidy that the Board deemed too high to impose on the U.S. taxpayers. In addition, based upon Corporate's periodic losses, low average projected liquidity and the Board's concerns about Corporate's optimistic expansion strategy and the financial projections related thereto, the Board was unable to conclude that the loan by Corporate was prudently incurred.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,