



**DEPARTMENT OF THE TREASURY
OFFICE OF PUBLIC AFFAIRS**

AIR TRANSPORTATION STABILIZATION BOARD

December 20, 2002

Mr. Delford M. Smith
Chairman
Evergreen International Airlines, Inc.
3850 Three Mile Lane
McMinnville, Oregon 97128

Re: Application for a Loan Guarantee Under the Air
Transportation Safety and System Stabilization Act

Dear Mr. Smith:

We refer to the application of Evergreen International Airlines, Inc. (the "Applicant"), dated June 27, 2002 as supplemented (the "Application"), for a Federal loan guarantee under 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 Applicant has requested a Federal guarantee in connection with a \$150 million financing. The Air Transportation Stabilization Board (the "Board") is asked to participate by providing a Federal government guarantee of \$148.5 million, representing 99 percent of the total financing.

The Board has carefully considered the Application under the standards set out in the Act and Regulations. The Board's consideration has 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 has determined that the Application meets the requirements for a Federal loan guarantee under the Act and the Regulations. In particular, the Board has determined that the Applicant has demonstrated a reasonable assurance of repayment.

While the Applicant has demonstrated that its business plan is financially sound, certain terms of the proposed loan transaction are unacceptable to the Board. Accordingly, the Board has determined to extend an offer of a guarantee, subject to satisfaction, as

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determined by the Board in its sole discretion, of all the conditions in the Act and the Regulations and the following:

- > The Board is willing to guarantee an amount not to exceed \$90,000,000.
- > Terms must include certain structural and financial enhancements acceptable to the Board.
- > Certain issues as to collateral, asset sales and existing and future senior and subordinate indebtedness must be resolved in a manner acceptable to the Board.
- > The Board must receive additional fees and warrants in amounts and on terms acceptable to the Board.
- > Final loan documents, guarantees, certifications, the warrant and registration rights agreement, and appropriate opinions of counsel, all in form and substance satisfactory to the Board, remain to be negotiated by the Board. We note that the Board may require control rights, representations, warranties, covenants (including, without limitation, covenants relating to the Applicant's financial ratios), anti-dilution protections and registration rights in connection with the warrants, and other customary lending provisions which are different from or in addition to those described in the Summary of Indicative Terms and Conditions included in the Application. All the conditions referred to in the Summary of Indicative Terms and Conditions must be satisfied.

The Board will continue to perform business and legal due diligence as the transaction progresses. The Board's willingness to issue the guarantee, and the specific terms it may require in the loan documents, are subject, therefore, to on-going due diligence and the Board's satisfaction with the results thereof, in particular, with respect to the Applicant's participation in the CRAF program. In the event that the Board discovers any materially negative information concerning the Applicant not currently known to it, the Board in its sole discretion may decline to issue its guarantee. The issuance of the Board's guarantee is subject also to the absence, in the sole judgement of the Board, of any material adverse change in the condition (financial or otherwise), business, property, operations, prospects, assets or liabilities of the Applicant, or in the Applicant's ability to repay the loan, or in the value of the collateral between the date of the Application and the date the guarantee is issued.

The Board and Board staff look forward to working with you toward the successful completion of this transaction.

Sincerely,

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Daniel G. Montgomery
Executive Director

Cc: Edward Gramlich
Kirk Van Tine
Peter Fisher