



**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

Assistant Secretary

400 Seventh St., S.W.  
Washington, D.C. 20590

**May 21, 2007**

Mr. James W. Tello  
Law Offices of James W. Tello  
1025 Connecticut Avenue, NW  
Suite 1000  
Washington, DC 20036

Dear Mr. Tello:

Thank you for the information that you submitted to the U.S. Department of Transportation (the Department) regarding the recent refinancing of a U.S. commuter air carrier. This letter conveys the conclusion of the Department with respect to the air carrier's recent refinancing. As you have agreed, the Department will post a copy of this letter on its website to facilitate greater transparency as to our internal review processes.

In your submission to the Department, you stated that the air carrier recently closed on a series of financing agreements, including a Secured Term Note, a Secured Convertible Term Note, and a Common Stock Purchase Warrant, with a non-U.S. citizen. In support of your continued compliance with the statutory citizenship requirements, you provided detailed information related to the transaction, as well as copies of the various agreements.

Upon review of the related transaction documents, we identified certain provisions in the debt agreements that required the approval and/or consent of the non-U.S. citizen investor prior to the execution of a number of actions contemplated by the air carrier. Under our precedent, debt, in of itself, does not constitute control, but can serve as an avenue by which the lender can exercise inappropriate influence over an air carrier. This is especially true when the majority of the capital needed to conduct operations is heavily dependent on the lender, as in this case.

In response to the Department's concerns, the parties agreed to delete certain prior written consent rights in its debt agreements held by the non-U.S. citizen investor, with the remaining prior written consent rights governed by predetermined mutually negotiated financial benchmarks. Specifically, these financial benchmarks will determine the company's ability to declare dividends; to purchase, redeem, or retire stock; to purchase stock or other investments; to create a subsidiary; or to require the company to pay dividends. Accordingly, so long as the company meets these financial benchmarks, the ability of the non-U.S. citizen investor to influence the company concerning the aforementioned transactions is effectively neutralized. The air carrier confirms that it is able to achieve these financial benchmarks without posing an undue burden on itself.

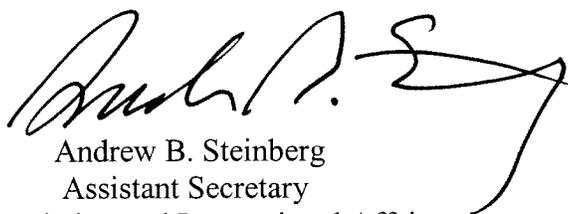
Based on the information provided and in the circumstances presented, we conclude that the air carrier will remain a citizen of the United States as required by the Statute and that the air carrier continues to be fit to conduct its operations as a commuter air carrier. We also find that, in this case, the remaining prior written consent rights afforded to the non-U.S. citizen investor will not result in an undue influence by non-U.S. citizens over the air carrier's affairs.

As always in such cases, our determination reflects, and is predicated on the accuracy of, the information that you have provided to the Department. Moreover, this finding is contingent on our satisfactory review of the amended documents, including governance documents for all involved parties, which you must submit to us upon signature. To ensure continued compliance with the Statute, we will also require the air carrier to notify the Department in the event of a default by the company, along with an explanation detailing how it intends to address such an event.

We also remind the air carrier that it continues to remain subject to the provisions of section 204.5 of the Department's rules, which requires the company to advise us of any substantial changes in operations, ownership, or management. These changes would include, but are not limited to, any alteration to the ownership structure discussed above, any change in key management and technical personnel, or any other circumstances affecting foreign involvement in the structure or capitalization of the air carrier, including new governance provisions (such as supermajority voting rights). Lastly, the air carrier must notify the Department of any conversion of warrants that would constitute a substantial change in ownership. Such changes may affect the Department's fitness determination with respect to the air carrier's citizenship.

We appreciate your cooperation in this matter, and wish you well in your future operations. If you have any questions concerning this matter, please contact Bill Bertram of my staff at (202) 366-9721.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew B. Steinberg", with a large, sweeping flourish extending to the right.

Andrew B. Steinberg  
Assistant Secretary  
for Aviation and International Affairs