

LETTER: DOCKET
OST-95-418-3

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U.S. Department of
Transportation
Office of the Secretary
of Transportation

DEPT. OF TRANSPORTATION
DOCKET SECTION

95 SEP 19 PM 3:30

September 11, 1995

OST-95-418-3

Mr. Allan I. Mendelsohn
Mendelsohn & Symkowitz
1201 Pennsylvania Ave, N.W.
Washington, D.C. 20004

Dear Mr. Mendelsohn:

I have completed an initial review of the certificate transfer application filed by Florida West International Airways (FWIA) in Docket OST-95-418. My review has uncovered a number of areas, as set out in the enclosed Information Request, where additional and/or clarifying information is needed. FWIA should file an original and 12 copies of the requested information in Docket OST-95-418 within 21 days of the date of this letter. Moreover, if there is any change in the information provided thus far, FWIA should promptly provide the Department with such changed information.

Thank you for your cooperation in this matter. If you have any questions, please feel free to call me at 366-2343.

Sincerely,

Delores King
Air Carrier Fitness Division
Office of Aviation Analysis

Enclosure

cc: Docket OST-95-418 ✓

4 pp

INFORMATION REQUEST
FLORIDA WEST **INTERNATIONAL** AIRWAYS

Ownership

1. The following FWIA by-laws provisions are unacceptable because they indicate foreign control:

-- The 80 percent vote requirement to constitute the act of the Board of Directors with respect to capital expenditures in any one year in excess of **\$15,000,000** or the incurrence of debt in the amount of \$10,000,000, and issuance of any shares of stock of the corporation or of any instruments that are convertible into shares of stock of the corporation. Article II Directors, Section 10, Major Management Decisions (a) and (b). Please note that we expect a U.S. company to be able to incur debt junior to ~~that~~ owed to the foreign interest.

-- The 80 percent vote requirement of the Board of Directors and the stockholders to alter, amend or repeal the by-laws or adopt new by-laws. Article VI Amendments, Sections 1 and 2.

2. Provide a copy of the \$1 million line-of-credit between **FWIA** and Fast Air, including any underlying terms and conditions. In addition, provide copies of any other written, and describe any oral, agreements or understandings bet&en FWIA, its U.S. citizen directors, shareholders, and/or management personnel, on the one hand, and Fast Air, its parent Lan Chile, or any director, shareholder or personnel of Fast Air or **Lan Chile**, on the other hand.

Management

1. When did **Mansour** Rasnavad become Chief Executive Officer of Buffalo Airways?

2. Where has Mr. Gonzalez worked since **1993**?

3. Does Mr. Long still plan to continue his involvement with JFBL & Associates. If so, what percentage of his time does he expect to spend on that company's business, and what percentage of his time will be devoted to the business of **FWIA**?

4. Mr. **Sossaman** worked for **Parc** Aviation. Is **Parc** Aviation an Irish airline?

5. **When** did, or will, Mr. **Di Pasquale** assume his responsibilities as Director of Maintenance? Does he hold an FAA Airframe and Powerplant Mechanic license?

6. Provide resumes for Messrs. Frazier and Ramirez, both of whom are directors of **FWIA**.

7. Is John Maloney still employed by FWIA? If so, what is his position and duties and to whom does he report?

Operations & Financial

1. Describe any scheduled cargo operations FWIA intends to conduct in the first year after transfer of Gateway's certificate authority. Explain where and how such operations are included in the the forecast income statement.

2. It is not clear whether the first year pro forma income statement has been prepared on a cash or accrual basis. To the extent that the statement does not include all expenses expected to be incurred (whether paid for during the year **or** not), the applicant should provide a revised forecast reflecting such expenses. In addition, provide the following information in connection with the forecast income statement:

a. Exhibit FW-16 states that the pro forma income statement is based on the use of two B-707 cargo aircraft. However, the forecast statement itself shows five aircraft. Please clarify.

b. Provide a breakdown of the forecast block hours between scheduled and charter cargo operations. Provide an explanation as to how the forecast scheduled and charter revenues were calculated (in sufficient- detail to allow us to replicate the mathematics involved).

c. Provide an explanation, by expense item, as to how the amounts in each expense category were calculated. Such explanation should be in sufficient detail to allow us to replicate the mathematics involved and include the following specific information:

i. An explanation of what "**AMI**" stands for in connection with aircraft lease costs?

ii. An explanation for the zero amounts forecast for the following expenses: lease costs associated with the three 'leased" **aircraft**; aircraft maintenance **and engine reserves**; **ground equipment maintenance**; hull and aircraft. liability insurance payments; depreciation; and interest **p a y m e n t s** .

iii. **A forecast for fuel expenses to be incurred in connection with any scheduled cargo operations.**

3. **Mr. Haberly's resume indicates that, under his leadership, Florida West experienced a \$400,000 operating profit for the 4th quarter of 1994.** However, we note that the Form 41 financial reports Ned for that period reflect a \$2.2 million loss. Please clarify this inconsistency.

4. With respect to the pro forma balance sheet provided for **FWIA**:

a. Provide a monetary breakdown of the \$1.8 million in assets other than cash, including an explanation of the basis for any amounts shown.

b. Provide a bank statement(s) showing current cash-on-hand. .

- c. Identify the provider of the \$600,000 shareholder loan. In addition, provide third-party verification that the funds were provided to FWIA along with the terms and conditions under which the funds were furnished.
- d. Identify the source(s) of the \$600,000 in paid-in-capital (including amount contributed by each). In addition, provide third-party verification that the funds were provided to FWIA.
- e. What is the basis of the \$211,000 in retained earnings?
- f. Provide a breakdown between current and long-term liabilities.
- g. Provide third-party verification that the \$600,000 line-of-credit has been made available to FWIA. Is this part of the \$1.0 million Fast Air credit line? If not, identify the source of the credit line, the terms and conditions under which the line-of-credit is being provided, and third-party verification that the provider has sufficient fund to **fulfill** its financial commitment.
- h. Identify who prepared this financial statement, his or her relationship to FWIA and indicate whether the statement was prepared in accordance with Generally Accepted Accounting Principles.

5. FWIA states that **Mansour** Rasnavad will provide it in excess of \$1 .0 million. To the extent that such information is not included in **FWIA's** response to 4. above, provide a statement from Mr. Rasnavad affirming his **financial** commitment to FWIA and providing verification demonstrating that he has either already provided such funding to FWIA or, if funds are to be provided in the future, that he has the financial wherewithal to provide such funding.

Miscellaneous

Provide a letter from Gateway's Trustee evidencing that the carrier is in agreement with the transfer of authority requested by FWIA in its application in this Docket.