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December 1, 2004

CONFIDENTIAL

Via Electronic Mail

Michael B. Verne
Premerger Office
Room 301
Federal Trade Commission
6th and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Dear Mr. Verne:

This letter is to confirm the conclusions we discussed in our telephone conversation of Wednesday, November 24, 2004 concerning whether the transaction described below would trigger the premerger notification and filing requirements of the Hart-Scott-Rodino Act (the "Act" or "HSR").

Company B is currently in Chapter 11 bankruptcy reorganization. As part of the reorganization plan, Company A is proposing to purchase from Company B six gates at an airport and certain aircraft hangar improvements. Company A will also assume an aircraft hangar lease from Company B, and the lease obligation for the six gates. The proposed purchase price for these items is $40 million.

Company A has also proposed to provide a $57 million debtor-in-possession ("DIP") loan to Company B. The DIP loan may be refinanced with an $87 million long-term loan as part of the reorganization plan. A portion of the above-mentioned, long-term financing package may be convertible into non-voting common stock in "re-organized" Company B, with conversion occurring as early as the time of approval of the plan of reorganization.

The parties would also agree to negotiate certain code sharing agreements (worth potentially between $150 million and $250 million), potential frequent flyer arrangements, and other ancillary, less material operating agreements.

It is my understanding that an HSR filing will not be required. The DIP loan and permanent financing will be excluded from valuation of the transaction under the HSR Act, as they are arms-length loans, made at current interest rates, created with the expectation of either being repaid or converted into non-voting securities. (Although the loan terms are at arms-length

market rates, the debtor may have difficulty obtaining a similar loan under its current circumstances.) Neither a standard market rate loan nor the acquisition of non-voting securities are reportable events. Therefore, to the extent that the loans are made under market conditions, they are exempt from consideration. Similarly, conversion of the DIP loan or permanent financing into non-voting securities would not require inclusion of the loan value in the value of the transaction for HSR purposes. Non-voting securities are not considered "voting securities" under Section 801.1(f)(1) of the HSR Act, 16 C.F.R. §801.1(f)(1). On the other hand, if the loan ends up being made on less-than-arms-length terms or being converted into voting securities, the value of such favorable terms or of such converted voting securities would be included in any valuation of the acquisition. Such features are not currently part of the transaction's terms.

Finally, the value of the code-sharing arrangements will not be included as part of the acquisition price. As these arrangements permit each airline to book passengers on certain flights of the other airline, they are considered operating agreements and not "assets" under the HSR Act. The total pertinent value of the transaction would, therefore, be approximately $40 million, relating to the purchase price of the gates and hangar improvements. The transaction therefore does not meet the $50 million size-of-transaction threshold and will not require a filing.

Please let me know if you have any questions. Thank you very much for your help.

Sincerely yours,

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AGREE. N. OVUKA CONCURS.

12/1/04