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**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

DEPT. OF TRANSPORTATION
DOCKETS
400 Seventh St. S.W.
Washington, D.C. 20590
2004 AUG 25 A 10:31

August 25, 2004

Mr. William A. Kutzke
Executive Vice President
and General Counsel
SkyLink Airways, Inc.
44965 Aviation Drive, Suite 205
Dulles, VA 20166

OST-04-17171-18
17172-17

Dear Mr. Kutzke:

This letter is in reference to the applications SkyLink Airways, Inc. (SkyLink) filed in Dockets OST-2004-17171 and OST-2004-17172 requesting authority to engage in interstate and foreign scheduled air transportation of persons, property and mail. I have completed my initial review of SkyLink's application and supplemental information filed through August 20th and find that additional and/or clarifying information is necessary before we can process the application further. The attached Information Request sets out those areas where further information is needed from the applicant.

SkyLink's response should be filed in Dockets OST-2004-17171 and OST-2004-17172 as soon as possible but within 30 days of the date of this letter. In addition, SkyLink should keep the Department informed of any changes in areas impacting its fitness (ownership, operations, finances, management, compliance posture) while its application is pending.

Thank you for your cooperation. If you have any questions, please feel free to contact me at (202) 366-9721.

Sincerely,

Vanessa R. Wilkins
Transportation Industry Analyst
Office of Aviation Analysis

Enclosure

cc: Dockets OST-2004-17171 and OST-2004-17172

Mr. Glenn P. Wicks
Ms. Lisa A. Harig
Counsel for SkyLink Aviation, Inc.
The Wicks Group LLC
1215 17th Street, NW
Washington, DC 20036

**INFORMATION REQUEST
SKYLINK AIRWAYS, INC.**

Corporate & Ownership

1. According to SkyLink, three individuals--Messrs. Kenneth Carlson, Joshua Marks, and Kenneth Woolley--currently hold all of SkyLink's outstanding stock. State the number of shares of stock each holds.
2. The articles of incorporation indicate that the currently only authorized stock of the company is common stock. We note, however, that the applicant's financing plans appear to include the issuance of Preferred A stock. Has SkyLink amended its articles of incorporation and by-laws to authorize the issuance of Preferred A stock? If so, provide copies of these amended corporate documents. If it has not yet done so, provide a description of the Preferred A stock, including all voting and other rights (and obligations) of such shareholders.
3. It appears that, in connection with its initial funding needs, SkyLink has issued \$15 million in convertible debt instruments or credit facilities, and that some or all of this debt will be converted to Preferred A stock.
 - a. Provide a description of the rights and obligations of the holders of the company's convertible debt and credit facilities (if other than the aircraft purchase agreement already submitted), including the circumstances under which any debt or credit facility is convertible into equity in the applicant.
 - b. Discuss the impact on the company's ownership if the debt is converted to equity.
 - c. Are any of the holders of the convertible debt/credit facilities non-U.S. citizens (as defined in section 40102(a)(15) of the Statute)?
4. In a recent filing, SkyLink advises that it does not intend to hold out its proposed services in the SkyLink Airways name and that it had hired a public relations firm to assist it in determining the trade name it will use in its services. If the applicant has already decided on a trade name, please advise us of such name.

Management

1. Provide an organization chart for SkyLink showing which positions and functions report to whom.
2. According to the applicant, Mr. William Stockbridge is its Chairman.
 - a. Please provide a complete resume for Mr. Stockbridge including the dates, places, and positions held for all previous employment).
 - b. Mr. Stockbridge is also the CEO of Centurion Air Cargo, a U.S. certificated cargo air carrier, and serves on the Board of Directors of TransMeridian Airlines, a U.S. certificated passenger air carrier. We would expect that launch of a new entrant carrier such as SkyLink would require substantial time and effort from its Chairman and other key personnel, particularly in its initial stages. We also note that SkyLink is located in Dulles, Virginia; Centurion is located in Miami, Florida; and TransMeridian is located in Atlanta, Georgia. Please discuss how Mr. Stockbridge plans to split his time between these three companies such that he will be able to fulfill his responsibilities to each.

3. Provide a complete resume for Mr. Marks (including all places and dates of previous employment and positions held). To the extent that he has had previous experience managing an airline, please describe such experience.

4. Where, and in what capacity, was Mr. Carlson employed between 1989 and 1991?

5. According to SkyLink, Mr. Woolley (15 percent shareholder and Director of SkyLink) founded Extra Space Storage. When did he found this company? SkyLink further states that he has been the founder of several companies in the retail, electronic, food manufacturing and natural resources industries. Identify these companies, the dates that he owned them, and the management positions, if any, that he held with them.

6. With respect to Mr. Joe Farrell (Director):

a. What were the dates that he was employed by The Pittston Company? Did he hold the positions of Chairman, President and CEO the entire time?

b. Provide a breakdown of his employment (dates, places, and positions held) prior to The Pittston Company.

c. What is the business of ASA Limited and Universal Corporation?

7. According to the information before us, you serve as Executive Vice President and General Counsel for SkyLink. Since we consider this to be a key management position, please provide a complete resume (with places, dates and positions held for all previous employment) for yourself.

8. SkyLink states that Mr. Thomas Kosik (Vice President-Flight Operations and Director of Operations) was employed in various capacities by United Airlines between 1969 and 2004. For each of his positions with that company during this time, provide the dates he held such position. State whether Mr. Kosik meets the requirements of section 119.67 of the Federal Aviation Regulations (FARs) to hold the position of Director of Operations.

9. Mr. Stanley Saunders is SkyLink's Chief Pilot. According to SkyLink, he served as Chief Pilot, Check Airman and Assistant Director of Operations for Gemini Air Cargo.

a. Provide the dates he held each of these positions.

b. Provide a breakdown of his flight hours.

c. Does Mr. Saunders have any experience in the B-767 that SkyLink proposes to operate?

d. State whether Mr. Saunders meets the requirements of section 119.67 of the FARs to hold the position of Chief Pilot.

10. With respect to Mr. Charles Stoddart (SkyLink's Chief Inspector):

a. Provide the dates he served as Senior Auditor for Atlantic Coast Airlines. What were his duties in this position.

b. According to SkyLink, he was employed as Director of Quality Assurance and Senior Manager Quality Assurance at Midway Airlines between 1993 and 2001. Did he hold both positions for this entire period? If not, provide the dates he held each position.

c. Provide the dates of employment and positions he held at Hutchinson Air, AVI, Ronson Aviation, North Philadelphia Air Transport, Professional Air Transport, United Airlines and any other places of employment.

d. State whether Mr. Stoddart meets the requirements of section 119.67 to hold the position of Chief Inspector.

11. State whether SkyLink intends to contract out any training or other operations or maintenance functions. If so, indicate the type of such contracts and the percentage of such work to be contracted out. Further, to the extent the applicant does intend to contract out such functions, identify the corporate position(s) that will be responsible for overseeing those contracts, along with the name(s), background, and credentials of the individual(s) selected to oversee such contracted services. SkyLink should also indicate to whom in the corporate structure such individual(s) will report, how oversight will be accomplished, and whether the person(s) performing such oversight is(are) full- or part-time employee(s) of SkyLink.

Operations

1. Exhibit SKY-403(Rev) anticipates commencement of "limited" operations in December 2004, with scheduled services being phased in beginning in April 2005. It is our understanding from the information presented that this "limited" service is expected to consist solely of charter flights with the company's initial three aircraft.

a. Is our understanding correct? If not, please clarify.

b. Is it expected that the implementation schedule presented in this exhibit will apply to the company's initial operating plans regardless of when operations commence?

2. SkyLink has requested authority for both interstate and foreign passenger operations. In this connection, it states that any interstate operations will be limited (at least initially) and intended to complement its foreign scheduled services. However, while the applicant has identified five illustrative *foreign* markets on which its service proposal is based, it has not identified or otherwise described the *interstate* markets upon which the service proposal (and revenue/expense projections) is based. Please provide such information.

3. SkyLink estimates that it will operate a total of 19,600 block hours in its first year of revenue operations using eight aircraft (7 aircraft in service plus one spare). However, we cannot determine from the information provided how this block hour estimate was arrived at. For instance, it is not clear whether this estimate includes charter and scheduled operations or only scheduled operations. It also appears that the applicant is projecting the same number of block hours with 8 aircraft as it was planning with the six aircraft initially proposed. Therefore, we ask SkyLink to provide further information as to how the 19,600 block hour estimate is derived. In this connection, we specifically ask SkyLink to provide the following information, on a quarterly (or monthly) basis, for each scheduled market upon which the applicant's service proposal is based: (a) number of aircraft in use; (b) frequency of flights; (c) stage length, and (d) block hours operated. We also ask the applicant to provide an estimate of the number of charter block hours operated.

Financial

1. We cannot fully assess the applicant's revenue/expense forecasts. As a general matter, its pre-operating expenses (Exhibits SKY-402 (Rev) and SKY-404 (Rev))¹ are shown on what appears to be a *calendar* year basis, but its first-year expenses (Exhibit SKY-405 (Rev)) are shown on what appears to be a *fiscal* year basis. Since fiscal years and calendar years sometimes differ, and SkyLink has not defined its "fiscal" year in the application, it is not totally clear how these forecasts relate to one another. We have assumed for purposes of our review that the 2005 first-year fiscal year forecast begins January 1, 2005. If our assumption is not correct, please clarify and, if needed, provide revised forecasts.

In addition, please explain what is included in each pre-operating and first-year line item expense and an explanation as to how the projected amounts were derived. Such explanation should be in sufficient detail to allow the Department to replicate the mathematics involved in calculating forecast amounts. The applicant should also address the following specific matters relative to its forecast expenses:

a. It is not clear whether the expense forecasts include the costs associated with capital expenditures such as the acquisition, refurbishment and initial maintenance for all 8 aircraft planned for the first year of operations, the costs associated with purchasing parts inventory, and other capital expenditures, or the costs associated with its financing activities. If they are included, explain where and how.

b. Explain why the first quarter 2005 expenses do not include projected revenues or expenses for many of the costs (such as fuel, maintenance, etc.) that we expect would be incurred in any charter operations conducted during that period.

2. Exhibit SKY-407 estimates the applicant's 2005 funding needs for purposes of meeting the Department's financial test. In this connection, it appears to have forecast first-year expenses at approximately \$150.8 million. We note, however, that Exhibit SKY-405 (Rev) estimates these expenses at \$152.3 million. In addition, it appears that the applicant has not included interest expenses or sales commissions in determining the funds needed to meet our fitness test. Please be advised that the Department will include such expenses in assessing the amount of financing needed to meet our financial test.

3. With respect to the applicant's July 1, 2004, balance sheet:

a. Provide a statement from the company's bank or financial institution verifying the funds on deposit for the applicant.

b. It is our understanding that SkyLink will obtain the first of its three aircraft on an operating lease beginning on or after September 1, 2004, and that it will purchase this and two other aircraft after commencement of certificated operations.

i. Please clarify why these three aircraft are reflected as assets and liabilities on the company's July 1, 2004, balance sheet.

ii. Please explain why the balance sheet does not provide for any current portion of long-term debt.

¹ Since these two exhibits appear to duplicate one another, we will refer to the applicant's pre-operating expenses collectively as SKY-402 (Rev).

4. According to SkyLink, in June 2004, it obtained approximately \$49.8 million in funds or financing through an offering of convertible debt and other credit facilities. Of that amount, \$15.0 million is to fund the company's start-up expenses, and \$34.8 million appears to be financing commitments to support the applicant's acquisition of three B-767 aircraft and related engines and spare parts. What does the difference (approximately \$8 million) between the \$34.8 million noted above and the \$26.9 million in aircraft debt on the applicant's July 1, 2004, balance sheet represent?

5. Lehman Brothers states that it is currently assisting SkyLink in conducting a private offering that could raise as much as \$160 million for the applicant.

a. Provide a copy of the offering document(s).

b. Please clarify the total amount of proceeds (gross and net) that the applicant expects to have raised under this offering prior to commencement of revenue operations, including whether the \$15 million in convertible debt is included in such total.

Compliance

In its initial application, SkyLink stated that there were no reportable compliance issues in response to sections 204.3(l), (m), (o), (p) and (q) of our rules for SkyLink, its owners or key personnel. We note, however, that the applicant has had some changes in its ownership and key personnel since its initial filings. State whether the compliance information provided initially applies to any new or changed owners or key personnel since filing its initial application.

Other

Provide a copy of the Pre-Application Statement of Intent SkyLink filed with the Federal Aviation Administration.