

MESA AIR GROUP INC
Form DEF 14A
January 23, 2004

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INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

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MESA AIR GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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MESA AIR GROUP, INC.

410 North 44th Street
Phoenix, Arizona 85008

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on March 2, 2004**

To Our Shareholders:

The 2004 Annual Meeting of Shareholders of MESA AIR GROUP, INC., a Nevada corporation (the Company), will be held at the Phoenix Airport Marriott, 1101 N. 44th Street, Phoenix, Arizona, on March 2, 2004, at 10:00 a.m., Arizona time, for the following purposes:

1. To elect seven (7) directors to serve for a one-year term;
2. To consider and vote on a proposal to ratify and approve the Company's 2003 Employee Stock Incentive Plan;
3. To consider a proposal introduced by a shareholder to adopt a bylaw provision to subject to shareholder vote on the next shareholder ballot, the adoption or extension of any current or future poison pill and, once adopted, to subject to shareholder vote on the next shareholder ballot the removal of this bylaw provision;
4. To ratify the selection of Deloitte & Touche LLP as independent auditors for the Company; and
5. To transact such other business as may properly come before the meeting or any postponement(s) or adjournment(s) thereof.

The Board of Directors has fixed the close of business on January 9, 2004, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting or any postponement or adjournment thereof. Shares of the Company's common stock may be voted at the meeting only if the holder is present at the meeting in person or by valid proxy. A copy of the Company's 2003 Annual Report, which includes audited financial statements, was mailed with this Notice and Proxy Statement to all shareholders of record on the record date.

Management of the Company cordially invites you to attend the Annual Meeting. Your attention is directed to the attached Proxy Statement for a discussion of the foregoing proposals and the reasons why the Board of Directors encourages you to vote *for* approval of Proposals 1, 2 and 4 and *against* Proposal 3.

By Order of the Board of Directors

Jonathan G. Ornstein, Chairman of the Board
and Chief Executive Officer

Phoenix, Arizona
January 23, 2003

IMPORTANT: IT IS IMPORTANT THAT YOUR STOCK BE REPRESENTED AT THIS MEETING. PLEASE COMPLETE, DATE, SIGN AND PROMPTLY MAIL THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

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PROXY CARD IN THE ACCOMPANYING ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

MESA AIR GROUP, INC.

**410 North 44th Street
Phoenix, Arizona 85008**

PROXY STATEMENT

The Board of Directors of MESA AIR GROUP, INC., a Nevada corporation (the **Company**), is soliciting proxies to be used at the 2004 annual meeting of shareholders of the Company to be held on March 2, 2004, at 10:00 a.m., Arizona time, at the Phoenix Airport Marriott, 1101 North 44th Street, Phoenix, Arizona, and any adjournment(s) or postponement(s) thereof (the **Annual Meeting**). This proxy statement and the enclosed form of proxy will be mailed to shareholders beginning January 23, 2004.

Who Can Vote

Shareholders of record as of the close of business on January 9, 2004 (the **Record Date**), may vote at the Annual Meeting and at any adjournment or postponement of the meeting. Each shareholder has one vote for each share of Common Stock held of record on the Record Date. On the Record Date, 31,743,807 shares of the Company's common stock, no par value per share (the **Common Stock**), were issued and outstanding.

How You Can Vote

All valid proxies received before the Annual Meeting and not revoked will be exercised. All shares represented by proxy will be voted, and where a shareholder specifies by means of his or her proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the specifications so made. If you do not specify on your proxy card how you want to vote your shares and authority to vote is not specifically withheld, we will vote your shares as follows: (i) for the election of the persons named in the proxy to serve as directors; (ii) for the proposal to ratify and approve the Company's 2003 Employee Stock Incentive Plan; (iii) against the shareholder proposal to adopt a bylaw provision to subject to shareholder vote on the next shareholder ballot, the adoption or extension of any current or future poison pill and, once adopted, to subject to shareholder vote on the next shareholder ballot the removal of this bylaw provision; and (iv) for the ratification of Deloitte & Touche LLP (Deloitte & Touche) as the independent auditors of the Company. Shareholders who hold their shares in street name (i.e., in the name of a bank, broker or other record holder) must vote their shares in the manner prescribed by their brokers.

How You Can Revoke Your Proxy

You can revoke your proxy at any time before it is exercised in one of three ways:

(1) by delivering to the Secretary of the Company a written instrument of revocation bearing a date later than the date of the proxy.

(2) by duly executing and delivering to the Secretary of the Company a subsequent proxy relating to the same shares.

(3) by attending the meeting and voting in person, provided that the shareholder notifies the Secretary at the meeting of his or her intention to vote in person at any time prior to the voting of the proxy.

Required Votes

A plurality of votes cast by shareholders who are either present in person or represented by proxy at the meeting is required to elect the seven (7) nominees for Director under Proposal 1. Approval of proposals 2, 3 and 4 requires the affirmative vote of a majority of the shares present and entitled to vote on these proposals at the Annual Meeting. The total number of votes that could be cast at the meeting is the number of votes actually cast plus the number of abstentions. Abstentions are counted as shares present at the meeting for

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purposes of determining whether a quorum exists and have the effect of a vote against any matter as to which they are specified. Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because they do not have discretionary voting authority and have not received instructions as to how to vote on these proposals (so-called broker non-votes) are also considered shares present and will have the affect a vote against the proposal for which no vote is indicated.

Other Matters to Be Acted Upon at the Meeting

We do not know of any matters other than the election of directors, the proposal to ratify and approve the 2003 Employee Stock Incentive Plan, the shareholder proposal, and the ratification of independent auditors that are expected to be presented for consideration at the Annual Meeting. If any other matters are properly presented at the meeting, the shares represented by proxies will be voted in accordance with the judgment of the persons voting those shares.

Solicitation

The cost of soliciting proxies, including the cost of preparing and mailing the Notice and Proxy Statement, will be paid by the Company. Solicitation will be primarily by mailing this Proxy Statement to all shareholders entitled to vote at the meeting. Proxies may also be solicited by officers and directors of the Company personally or by telephone or facsimile, without additional compensation. The Company may reimburse brokers, banks and others holding shares in their names for others for the cost of forwarding proxy materials and obtaining proxies from beneficial owners.

ELECTION OF DIRECTORS

(PROPOSAL NO. 1)

General Information

The Company's current directors are Jonathan G. Ornstein, Daniel J. Altobello, Robert Beleson, General Ronald R. Fogleman, Joseph L. Manson, Maurice A. Parker, and Julie Silcock. Their terms expire upon the election and qualification of their successors at the Annual Meeting. The Board has nominated each of these current directors as nominees for election as directors in the election to be held at the Annual Meeting. The Board intends to vote its proxies for the election of its nominees, for a term to expire at the Company's 2005 Annual Meeting.

If unforeseen circumstances make it necessary for the Board of Directors to substitute another person for any of the nominees, we will vote your shares for that other person, or, if no substitute is selected by the Board prior to or at the Annual Meeting, for a motion to reduce the present membership of the Board to the number of nominees available. The information concerning the nominees and their share holdings in the Company has been furnished by the nominees to the Company.

The seven (7) nominees receiving a plurality of votes by shares represented and entitled to vote at the Annual Meeting, if a quorum is present, will be elected as directors of the Company.

The following table sets forth the names and ages of the directors of the Company and certain additional information:

Name	Age	Position
Jonathan G. Ornstein	46	Chairman of the Board
Daniel J. Altobello	63	Director
Robert Beleson	53	Director
Ronald R. Fogleman	62	Director
Joseph L. Manson	54	Director
Maurice A. Parker	58	Director
Julie Silcock	48	Director

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Directors

Biographical information regarding the Company's directors is set forth below.

Jonathan G. Ornstein was appointed President and Chief Executive Officer of the Company effective May 1, 1998. Mr. Ornstein became a director in January 1998. Mr. Ornstein assumed the role of Chairman of the Board in June 1999. On June 21, 2000, Mr. Ornstein relinquished his position as President of the Company. From April 1996 until joining the Company as Chief Executive Officer, Mr. Ornstein served as President and Chief Executive Officer and Chairman of Virgin Express S.A./N.V., a European airline. From 1995 to April 1996, Mr. Ornstein served as Chief Executive Officer of Virgin Express Holdings, Inc. Mr. Ornstein joined Continental Express Airlines, Inc., as President and Chief Executive Officer, in July 1994 and, in November 1994, was named Senior Vice President, Airport Services at Continental Airlines, Inc. Mr. Ornstein was previously employed by the Company from 1988 to 1994, as Executive Vice President and as President of the Company's subsidiary, WestAir Holding, Inc.

Daniel J. Altobello has served as a director of the Company since January 1998. Mr. Altobello is the retired Chairman of LSG SkyChefs and Onex foodservices, the parent corporation of Caterair International, Inc., and LSG/ SKY Chefs. From 1989 to 1995, Mr. Altobello served as Chairman, President and Chief Executive Officer of Caterair International Corporation. From 1979 to 1989, he held various managerial positions with the food service management and in-flight catering divisions of Marriott Corporation, including Executive Vice President of Marriott Corporation and President of Marriott Airport Operations Group. Mr. Altobello began his management career at Georgetown University as Vice President of Administration Services. He is a member of the board of directors of each of the following companies: American Management Systems, Inc., World Airways, Inc., Friedman, Billings and Ramsey Group, Inc. and Thayer Capital Partners. Mr. Altobello is also a trustee of Loyola Foundation, Inc. and Mt. Holyoke College.

Robert Beleson was elected as a director of the Company on October 23, 2003. Since May 2002, Mr. Beleson has provided marketing and strategic planning consulting services to select clients in the aviation and wine and spirit industries. This consulting service was formally organized as Brookfield Marketing, LLC on October 1, 2003. From July 2001 to April 2002 he served as Chief Marketing Officer for Avolar, a former Division of United Airlines. From March 1996 to December 2000 he served as President of M. Shanken Communications, New York, N.Y. From May 1991 to February 1996 he served as Chief Marketing Officer for Playboy Enterprises. Mr. Beleson received a B.S. from Cornell University School of Industrial and Labor Relations and an M.B.A. from Harvard Business School.

General Ronald R. Fogleman, U.S.A.F. retired, has been a director of the Company since January 1998. Since 1997, Gen. Fogleman has been President and Chief Operating Officer of B Bar J Cattle Company and President and Chief Operating Officer of Durango Aerospace, Inc., an international aviation consulting firm. In September 1997, he retired from the Air Force with the rank of General. He served as Chief of Staff of the United States Air Force from 1994 until 1997 and as Commander-in-Chief of the United States Transportation Command from 1992 until 1994. General Fogleman currently serves on the board of directors of each of the following companies: AAR Corporation; Rolls Royce of North America; Valeant Pharmaceuticals International (formerly ICN Pharmaceuticals, Inc.); and World Airways.

Joseph L. Manson has been a director of the Company since July 2001. Mr. Manson is a partner in the Washington, D.C. office of the law firm Piper Rudnick (which recently merged with Verner Lipfert Burnhard McPherson and Hand), where he has been employed since 1975.

Maurice A. Parker has been a director of the Company since November 1998. From 1978 to January 1997, Mr. Parker served as a Federal Mediator for the National Mediation Board of the United States government. From 1997 to the present, Mr. Parker has worked as an independent arbitrator, mediator and consultant. In 1998, Mr. Parker obtained his Doctorate in Jurisprudence from South Texas College of Law. Mr. Parker has served as Executive Director of Regional Aviation Partners since April 2001.

Julie Silcock has served as a director of the Company since July 2001. Since November 2000, Ms. Silcock has been the Managing Director and head of Southwest Investment Banking of Citigroup Global Market, Inc. From August 1997 to November 2000, she served as Managing Director at Donaldson, Lufkin &

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Jenrette. From January 1984 to August 1997, she was an investment banker with Bear, Stearns & Co., Inc., most recently as a Senior Managing Director.

BOARD AND COMMITTEE MEETINGS

Information concerning the three Committees maintained by the Board of Directors is set forth below. The Board Committees currently consist only of Directors who are not employees of the Company and who are independent within the meaning of the listing standards of the NASD.

The Board held six meetings during the 2003 fiscal year. No director attended less than 75% of the Board meetings while serving as such director, or less than 75% of all committee meetings on which he or she served as a committee member.

The audit, nominating and compensation committees are the standing committees of the Board. The fiscal year 2003 committees are comprised as follows¹:

<u>Audit</u>	<u>Nominating</u>	<u>Compensation</u>
Ronald R. Fogleman*	Maurice Parker*	Daniel J. Altobello*
Julie Silcock	James Swigart	Joseph Manson
Joseph Manson	Daniel J. Altobello	Maurice Parker

The current committees are comprised as follows:

<u>Audit</u>	<u>Nominating/ Corporate Governance</u>	<u>Compensation</u>
Ronald R. Fogleman*	Daniel J. Altobello*	Daniel J. Altobello*
Julie Silcock	Julie Silcock	Julie Silcock
Robert Beleson	Robert Beleson	Robert Beleson

* Chairman

(1) On November 19, 2003, the standing committees were reorganized. The Company merged the Nominating Committee with a newly established Corporate Governance Committee, creating a Nominating/ Corporate Governance Committee with three Committee members.

The audit committee of the Board (the Audit Committee) held seven meetings during fiscal 2003. The Audit Committee, among other things, recommends the Company's independent auditors, reviews the Company's financial statements, reports and recommendations regarding the adequacy of internal accounting controls made by the independent auditors and considers such other matters with respect to the accounting, auditing and financial reporting procedures as it may deem appropriate or as may be brought to its attention.

The Audit Committee acts under a written charter adopted and approved by the Board in May 2000. A copy of the original Audit Committee Charter is attached as an exhibit to the Company's 2001 Annual Meeting Proxy Statement. The Charter was amended in April 2002 and the Amended Charter is attached as an exhibit to the Company's 2003 Annual Meeting Proxy Statement. The Audit Committee is composed of outside directors who are not officers or employees of the Company or its subsidiaries. In the opinion of the Board and as independent is defined under current standards of the NASD (including the heightened independence requirements of audit committee members), these directors are independent of management and free of any relationship that would interfere with their exercise of independent judgment as member of this committee.

The nominating committee of the Board (the Nominating Committee) did not meet in fiscal 2003. In November 2003, the Nominating Committee was merged with a newly established corporate governance committee, creating the Nominating/ Corporate Governance Committee. The Nominating/ Corporate Governance Committee will continue to be responsible for identifying and nominating individuals qualified to serve on the Board and the Committees of the Board, as well as reviewing the effective corporate governance policies and procedures and recommending any applicable modifications thereto. The Nominating/ Corporate Governance Committee will consider, but is not required to

approve, nominations for directors by shareholders

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for any annual meeting of the Company, provided a written recommendation is received by the Company no later than the date shareholder proposals must be submitted for consideration prior to such annual meeting.

The compensation committee of the Board (the Compensation Committee) held two meetings during the 2003 fiscal year. The Compensation Committee is responsible for allocating cash compensation and stock options to senior executive officers of the Company.

It is expected that all current committee members will be nominated for re-election to such committees at a Board meeting to be held immediately following the Annual Meeting.

The Board of Directors adopted a Code of Ethics in fiscal 2003, which applies to the Company's executive officers, as well as the executive officers of the Company's subsidiaries.

You can obtain copies of our current committee charters and Code of Ethics in the Corporate Governance section of our website (www.mesa-air.com) or by writing to our Corporate Secretary at 410 North 44th Street, Suite 700, Phoenix, Arizona 85008.

COMPENSATION OF DIRECTORS

Fees

The following fees were paid to Directors who were not employees of the Company during fiscal 2003. Directors who are full-time employees of the Company receive no additional compensation for serving as directors. Board members also are reimbursed for all expenses associated with attending Board or Committee meetings.

Annual Retainer	\$ 15,000
Fee for each Board meeting	\$ 1,000
Fee for each telephonic meeting	\$ 500
Fee for each Committee meeting	\$ 500

Stock Options

Under the Outside Director's Option Plan, each non-employee director receives an annual grant of options to purchase 3,000 shares of Common Stock, plus the number of options to purchase Common Stock equivalent to a cash value of \$20,000 as calculated pursuant to the Black-Scholes Valuation Method (collectively, the Formula Amount), at a risk-free rate of a ten-year zero coupon bond. Each non-employee director receives an additional Formula Amount on April 1st of each year thereafter. Upon being appointed a non-employee director after April 1, such director is granted a pro-rata portion of the Formula Amount and receives options pursuant to the plan on April 1st of each succeeding year. The amount of pro rata options granted to each new non-employee director is calculated by dividing the number of days prior to April 1st by the number of days in the calendar year and multiplying the quotient by the Formula Amount.

Other Benefits

Each non-employee director, and certain family members of such director, receives free travel on Mesa Air and free or reduced-fare travel on certain air carriers at no cost to the Company or the director. The Company believes that the directors' use of free air travel is de minimis and did not maintain any records of non-employee directors' travel during fiscal 2003.

COMPENSATION COMMITTEE INTERLOCKS

During the fiscal year 2003, the Compensation Committee consisted of Messrs. Altobello, Parker and Manson. None of the members of the committee held any executive officer position or other employment with the Company prior to or during such service. See Certain Relationships and Related Transactions later in this proxy statement for a discussion of payments made by the Company to certain entities in which Messrs. Manson and Parker have an interest.

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REPORT OF AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee assists the Board in fulfilling its responsibility for oversight of the internal control, accounting, auditing and financial reporting practices of the Company. Specific responsibilities of the Audit Committee include:

reviewing and discussing the audited financial statements with management;

discussing with the Company's independent auditors information relating to the auditors' judgments about the quality of the Company's accounting policies and financial reporting practices;

recommending to the Board that the Company include the audited financials in its Annual Report on Form 10-K; and

overseeing compliance with the Securities and Exchange Commission requirements for disclosure of auditors' services and activities.

The Committee regularly meets with management to consider the adequacy of the Company's internal controls and the integrity of its financial reporting. The Committee discusses these matters with the Company's independent auditors and with appropriate Company financial personnel and internal auditors.

The Committee regularly meets privately with management, the independent auditors and the internal auditors. Each of the independent auditors has unrestricted access to the Committee.

The Committee retains and, if circumstances warrant, replaces the independent auditors and regularly reviews their performance and independence from management. The Committee also pre-approves all audit and permitted non-audit services and related fees.

The Board of Directors has determined that none of the Directors serving on the Committee has a relationship to the Company that may interfere with their independence from the Company and its management. As a result, each Director who serves on the Committee is independent as required by NASD listing standards.

The Board of Directors has adopted a written charter setting out the roles and responsibilities the Committee is to perform. The Board has determined that Julie Silcock of the Audit Committee is an audit committee financial expert, as such term is defined in Item 401(h) of Regulation S-K.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's system of internal controls.

Review of Audited Financial Statements

The Audit Committee has reviewed the Company's financial statements for the fiscal year ended September 30, 2003, as audited by Deloitte & Touche, the Company's independent auditors, and has discussed these financial statements with management. In addition, the Audit Committee has discussed with Deloitte & Touche the matters required to be discussed by Statement of Auditing Standards No. 61, as amended, regarding the codification of statements on auditing standards. Furthermore, the Audit Committee has received the written disclosures and the letter from Deloitte & Touche required by the Independence Standards Board Standard No. 1 and has discussed with Deloitte & Touche its independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements for the fiscal year ended September 30, 2003 be included in the Company's Annual Report on Form 10-K, for filing with the Securities and Exchange Commission.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting. Members of the Audit Committee rely, without independent verification, on the information provided to them and on the representations made by management and the independent accountants. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with

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generally accepted accounting principles and that the Company's independent accountants are in fact independent.

AUDIT COMMITTEE

Ronald R. Fogleman

Julie Silcock

Joseph L. Manson

DISCLOSURE OF AUDIT AND NON-AUDIT FEES

Pre-approval Policy

In August 2003, the Audit Committee adopted a Pre-approval Policy (Policy) governing the approval of all audit and non-audit services performed by the independent auditor in order to ensure that the performance of such services does not impair the auditor's independence.

According to the Policy, the Audit Committee will annually review and pre-approve the services and fees that may be provided by the independent auditor during the following year. The Policy specifically describes the services and fees related to the annual audit, other services that are audit-related, preparation of tax returns and tax related compliance services and all other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period.

Any service to be provided by the independent auditor that has not received general pre-approval under the Policy is required to be submitted to the Audit Committee for approval prior to the commencement of a substantial portion of the engagement. Any proposed service exceeding pre-approved cost levels is also required to be submitted to the Audit Committee for specific approval.

The Audit Committee will revise the list of general pre-approved services from time to time based on subsequent determinations. The Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

Fees

The following table sets forth the aggregate fees billed by Deloitte & Touche for fiscal 2002 and 2003:

	Audit Fees(1)	Audit Related(2)	Tax	Financial Information Systems Design and Implementation Fees	Other Fees	Total
2002	\$441,000	\$122,000	\$702,000	\$ 0	\$ 0	\$1,265,000
2003	\$463,000	\$259,000	\$487,000	\$ 0	\$ 0	\$1,209,000

(1) Includes fees for the annual audit and quarterly reviews.

(2) Includes fees for services for miscellaneous compliance audits and other SEC filings.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of September 30, 2003 by (i) each director of the Company, (ii) each of the Company's officers named in the Summary Compensation Table (collectively, the Named Executive Officers), (iii) each person who is known by the Company to be the beneficial owner of more than five percent of the Company's outstanding

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Common Stock, and (iv) all directors and executive officers as a group. Except as otherwise indicated below, each person named has sole voting and investment power with respect to the shares indicated.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership			Percent(1)
	Shares	Options/ Warrants(1)	Total(1)	
State Street Research & Management Co One Financial Center, 30th Floor Boston, MA 02111-2690	3,159,000		3,159,000	10.0%
Putnam, LLC One Post Office Square Boston, MA 02109	2,466,445		2,466,445	7.8%
Putnam Investment Management, LLC One Post Office Square Boston, MA 02109	2,200,113		2,200,113	6.9%
Dimensional Fund Advisors Inc 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	1,768,969		1,768,969	5.6%
Directors				
Jonathan G. Ornstein(2)	123,000	1,614,846	1,737,846	5.5%
James E. Swigart(3)	116,923	68,230	185,153	*
Daniel J. Altobello	6,000	52,695	58,695	*
Ronald R. Fogleman(4)	1,200	40,657	41,857	*
Joseph L. Manson	10,000	16,578	26,578	*
Robert Beleson	0	540	540	*
Maurice Parker	2,000	18,953	20,953	*
Julie Silcock	2,000	19,578	21,578	*
Officers				
Michael J. Lotz	11,000	539,786	550,786	1.7%
George Murnane III	1,000	196,475	197,475	*
Michael Ferwerda	0	85,400	85,400	*
Robert S. Stone	15,000	70,000	85,000	*
Brian S. Gillman	0	114,000	114,000	*
F. Carter Leake	0	130,000	130,000	*
All directors and officers as a group (15 Individuals)	288,123	2,967,738	3,255,861	10.3%

(1) Includes options and warrants exercisable on September 30, 2003 or within 60 days thereafter. Holdings of less than 1% are indicated by * . Based upon 31,743,807 shares issued and outstanding as of September 30, 2003.

(2) Includes 63,000 shares held by Mr. Ornstein's children, mother and spouse.

(3) Includes 5,629 shares held by Mr. Swigart's wife and children.

(4) Includes 1,200 shares of common stock held by B Bar J Pension Fund, which is controlled by Mr. Fogleman.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, as well as persons beneficially owning more than 10% of the outstanding Common Stock, to file certain reports of ownership with the Securities and Exchange Commission within specified time periods. Such officers, directors and shareholders are also required by Securities and Exchange Commission rules to furnish the Company with copies of all Section 16(a) forms they file.

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Based solely on its review of such forms all requirements received by it, or written representations from certain reporting persons, the Company believes that between October 1, 2002 and September 30, 2003, all Section 16(a) filing requirements applicable to its officers, directors and 10% shareholders were met except for the filing of one Form 4 by Mr. Ferwerda in August 2003 and the filing of one Form 4 for Mr. Ornstein in September 2003.

EXECUTIVE COMPENSATION

The following table sets forth compensation for fiscal years 2003, 2002 and 2001 of the Chief Executive Officer and the four other most highly compensated executive officers of the Company whose total annual salary and bonuses exceeded \$100,000 at the end of fiscal 2003 (the Named Executive Officers).

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation				
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)(1)(2)	Securities Underlying Options (#)	All Other Compensation (\$)(3)
Jonathan G. Ornstein Chief Executive Officer	2003	200,000	420,000	259,782	150,000	2,377
	2002	200,000	420,000	200,000	366,313	939
	2001	200,000	315,000	103,519		
Michael J. Lotz President and Chief Operating Officer	2003	175,000	320,000	175,000	100,000	2,450
	2002	175,000	320,000	175,000	239,786	1,264
	2001	175,000	205,000	134,769		
George Murnane III(4) Executive Vice President	2003	145,000	180,000		40,000	
	2002	97,038	135,000		150,000	
Brian S. Gillman(5) Vice President & General Counsel	2003	110,000	67,800		30,000	2,276
	2002	110,000	75,000		30,000	1,266
F. Carter Leake(6) Senior Vice President, US Airways Express	2003	120,000	49,400		25,000	2,019
	2002	120,000	67,000		30,000	
	2001	96,546	40,000		75,000	

- (1) With respect to Jonathan Ornstein, amounts reported for the fiscal years ended 2001, 2002 and 2003 include deferred compensation of \$108,333, \$200,000 and \$200,000, respectively, and for fiscal year 2003 personal use of company aircraft of \$38,786, disability and life insurance premium payments in the amount of \$8,451 and \$12,545 of a non-accountable expense allowance. W