

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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:
In re: :
: **Chapter 11 Case No.**
:
FRONTIER AIRLINES : **08-11298 (RDD)**
HOLDINGS, INC., et al., :
: **(Jointly Administered)**
:
Debtors.¹ :
----- X

ORDER (I) APPROVING AND AUTHORIZING DEBTORS TO PERFORM UNDER INVESTMENT AGREEMENT, (II) APPROVING PROCEDURES FOR CONSIDERATION OF OTHER INVESTMENT PROPOSALS, (III) SCHEDULING PROPOSAL DEADLINES AND AN AUCTION AND (IV) APPROVING FORM AND MANNER OF NOTICE THEREOF

Upon the motion (the “**Motion**”)² of Frontier Airlines Holdings, Inc. (“**Frontier Holdings**”) and its two subsidiaries that are debtors and debtors in possession in these cases (collectively, the “**Debtors**”) seeking an order pursuant to sections 105 and 363 of the Bankruptcy Code and Bankruptcy Rules 2002 and 6004, (i) approving a proposed investment (the “**Proposed Investment**”) pursuant to the Investment Agreement (substantially in the form attached hereto as Exhibit A, the “**Investment Agreement**”) among the Debtors and Republic Airways Holdings, Inc. (“**Republic**”) and authorizing the Debtors’ performance under the Investment Agreement, which Investment Agreement provides that the Debtors may terminate the agreement if any higher or better proposal is identified through the Proposal Process (as defined below), (ii) approving procedures (in

¹ The Debtors are the following entities: Frontier Holdings; Frontier Airlines, Inc. (“**Frontier**”); and Lynx Aviation, Inc. The employer tax identification numbers and addresses for each of the Debtors are set forth in the Debtors’ chapter 11 petitions.

² Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Motion and the Investment Agreement.

the form of Appendix 1 hereto, the “**Proposal Process**”) for the solicitation and consideration of Alternative Proposals, (iii) scheduling submission deadlines for any such Alternative Proposals and an auction, if necessary, (iv) approving the form and manner of notice thereof and (v) granting such other relief as may be appropriate.

Requisite notice of the Motion having been provided in accordance with the Case Management Order; and ~~a hearing to consider the relief requested in the Motion having been held by the Court on _____, 2009 (the “Hearing”); and upon consideration of the evidence presented and/or proffered at the Hearing; and all objections, if any, to the relief requested in the Motion having been withdrawn, resolved or overruled by the Court~~ there being no objections to the Motion; and the Court having reviewed the Motion and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and consideration, and good and sufficient cause appearing therefor;

IT IS HEREBY FOUND AND DETERMINED THAT:

- A. On April 10, 2008 (the “**Petition Date**”), each of the Debtors filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York commencing these cases (the “**Cases**”).
- B. The Debtors have continued in the management and operation of their businesses and properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Cases. On April 24, 2008, the United States Trustee appointed a statutory committee of unsecured creditors (the “**Creditors’ Committee**”) in the Cases.

- C. This Court has core jurisdiction over the Cases, the Motion and the parties and properties affected hereby pursuant to 28 U.S.C. §§ 157(b), 1334 and the Standing Order of Referral of Cases to Bankruptcy Court Judges of the District Court for the Southern District of New York, dated July 10, 1984 (Ward, Acting C.J.). Consideration of the Motion and the requested relief is a core proceeding that the Court can determine pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.
- D. Good cause has been shown for the entry of this Order.
- E. Under the circumstances, good and sufficient notice of the relief sought in the Motion has been given and no further notice is required. A reasonable opportunity to object or be heard regarding the relief requested in the Motion (including, without limitation, approval of this Order, the Proposed Investment, the Proposal Process, the Investment Agreement (including the Termination Fee and the Expense Reimbursement provided therein) and the Auction has been afforded to all interested parties.
- F. The Debtors' proposed notice procedures as set forth in the Motion are adequate, appropriate and reasonably calculated to provide all interested parties with timely and proper notice of this Order, the Proposed Investment, the Proposal Process, the Investment Agreement and the Auction approved hereby, and no other or further notice thereof is required.
- G. The Proposal Process is fair, reasonable and appropriate and is designed to maximize recovery for the benefit of the Debtors' estates, their creditors and other parties in interest. The Proposal Process balances the Debtors' interest in ensuring that Republic remains committed to consummate the Proposed Investment pursuant to the

terms and conditions of the Investment Agreement, while preserving the opportunity to attract higher and better proposals.

H. The Debtors have demonstrated and proven to the satisfaction of this Court that approval of the Investment Agreement and the Debtors' execution and delivery thereof and performance thereunder are in the best interests of the Debtors, their creditors, their estates and all other parties in interest in the Cases, and that performance under the Investment Agreement represents a prudent exercise of the Debtors' business judgment. The Debtors have articulated good, sufficient and sound business justifications and compelling circumstances for the execution and delivery of and performance under the Investment Agreement, in that, among other things:

- (1) The Investment Agreement constitutes the highest and best proposal that the Debtors have received to date for equity funding, and it is terminable by the Debtors if any higher or otherwise better proposal is received through the Proposal Process; and
- (2) prompt approval of the Investment Agreement and authorization of the Debtors to perform thereunder will best ensure the viability of the Debtors' businesses.

I. The consideration provided by Republic pursuant to the Investment Agreement (i) is fair and reasonable, (ii) will provide a greater recovery to the Debtors' estates than would be provided by any other presently available alternative, provided that a higher or otherwise better proposal is not received through the Proposal Process and (iii) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and other applicable laws.

J. The Debtors have demonstrated a compelling and sound business justification for authorizing the payment of the Termination Fee and the Expense

Reimbursement to Republic, if due, under the terms and conditions set forth in the Investment Agreement.

K. The Termination Fee and the Expense Reimbursement provisions of the Investment Agreement are fair and reasonable, provide a benefit to the Debtors' estates, their creditors and other parties in interest and were negotiated by the parties in good faith and at arms' length.

L. The Debtors' payment to Republic of the Termination Fee and/or the Expense Reimbursement, if and when due under the terms and conditions set forth in the Investment Agreement, would be (i) an actual and necessary cost of preserving the Debtors' estates within the meaning of section 503(b) of the Bankruptcy Code, (ii) of substantial benefit to the Debtors' estates, their creditors and other parties in interest, (iii) reasonable and appropriate, in light of, among other things, (A) the size and nature of the Proposed Investment, (B) the substantial efforts that have been and will be expended by Republic and (C) the benefits Republic has provided to the Debtors' estates, their creditors and other parties in interest, notwithstanding that the Investment Agreement with Republic may be terminated by the Debtors if any higher or otherwise better Alternative Proposal is identified through the Proposal Process and (iv) necessary to obtain Republic's commitment to make the Proposed Investment.

M. The Debtors' payment to Republic of the Termination Fee and the Expense Reimbursement, if due, under the terms and conditions set forth in the Investment Agreement, should be approved because, among other things, (i) the execution of the Investment Agreement is a necessary prerequisite to determining whether any person other than Republic is willing to enter into a definitive agreement on terms and conditions

acceptable to the Debtors for a general financing of, or other investment in, the Debtors, (ii) the protections afforded to Republic by the Termination Fee and the Expense Reimbursement were material inducements for, and express conditions of, Republic's willingness to enter into the Investment Agreement and (iii) Republic is unwilling to commit to hold open its proposal to make the Proposed Investment under the terms and conditions of the Investment Agreement absent approval of the Termination Fee and the Expense Reimbursement.

N. The Investment Agreement was negotiated, proposed and entered into by the Debtors and Republic without collusion, in good faith and from arms' length bargaining positions.

O. Republic is not an "insider" of any of the Debtors, as that term is defined in Section 101(31) of the Bankruptcy Code.

Based on the foregoing, and upon the record made before this Court at the Hearing, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED AND ADJUDGED THAT:

1. The relief requested in the Motion be, and hereby is, granted in all respects.

~~1. All Objections to the Motion or the relief requested therein that have not been withdrawn, waived or settled, and all reservations of rights included therein, are hereby denied and overruled on the merits, with prejudice.~~

The Investment Agreement and Authorization of the Debtors to Perform Thereunder

2. The Investment Agreement, and all of the terms and conditions thereof, including, without limitation, the Termination Fee and the Expense Reimbursement, is approved.

3. Pursuant to sections 105 and 363 of the Bankruptcy Code, the Debtors are authorized to perform their obligations under, and comply with the terms of, the Investment Agreement and take all other actions pursuant to, and in accordance with the terms of the Investment Agreement and this Order.

4. Pursuant to sections 105 and 363 of the Bankruptcy Code, the Debtors are hereby authorized but not directed to execute and deliver and perform under the Investment Agreement, together with all additional instruments and documents that the Debtors and Republic deem necessary or appropriate to implement the Investment Agreement, in each case in accordance with the terms and conditions thereof, and to take all further actions as may reasonably be requested by Republic for the purposes of consummating the Proposed Investment.

5. The consideration provided by Republic under the Investment Agreement is fair and reasonable and shall be deemed to constitute reasonably equivalent value and fair consideration under the Bankruptcy Code and under other applicable laws.

6. Any amounts that become payable by the Debtors to Republic pursuant to the Investment Agreement, including, without limitation, the Termination Fee and the Expense Reimbursement, shall (a) constitute administrative expenses of the Debtors' estates under sections 503(b)(1) and 507(a)(2) of the Bankruptcy Code and (b) be paid by the Debtors in the time and manner provided for in the Investment Agreement, all without the need for further order of this Court. The Termination Fee and the Expense Reimbursement, to the extent payable, shall be paid to Republic on the terms, in the manner and subject to the conditions set forth in the Investment Agreement and shall be a joint and several obligation of the Debtors.

7. The transactions contemplated by the Investment Agreement are undertaken by Republic without collusion and in good faith.

The Proposal Process

8. The Proposal Process is hereby approved in all respects and shall apply with respect to, and shall govern all proceedings related to, the solicitation and selection of Alternative Proposals.

9. If the Investment Agreement is terminated by Republic or Frontier Holdings for any reason at any time during the Proposal Process, the Debtors may, in their sole discretion, but after consultation with the Creditors' Committee, terminate the Proposal Process. If the Debtors elect to terminate the Proposal Process, neither Republic nor the Debtors will have any obligations with respect thereto; provided that, for the avoidance of doubt, such termination of the Proposal Process will not affect the Debtors' obligations with respect to the Termination Fee or Expense Reimbursement. For the avoidance of doubt, the Creditors' Committee reserves all rights to challenge any decision made by the Debtors to terminate the Proposal Process.

10. The Debtors' subsequent presentation of a superior Alternative Proposal to the Court for approval does not constitute the Debtors' acceptance of the proposal. The Debtors will be deemed to have accepted an Alternative Proposal only when the proposal has been approved by the Court.

The Notice of Auction

11. The Notice of Auction substantially in the form attached hereto as Appendix 2 (the "**Notice of Auction**") is approved in all respects.

12. Within five business days after entry of this Order, provided that the Debtors have not terminated the Proposal Process, the Debtors shall cause the Notice of

Auction to be (i) published in the national edition of The Wall Street Journal, (ii) made available on the Debtors' Case Information Website and (iii) served upon (A) the Core Parties and the Non-ECF Service Parties (as those terms are defined in the Case Management Order), (B) all parties that have filed notices of appearance in the Cases as of the date hereof, (C) counsel to Republic, (D) the Internal Revenue Service, (E) the United States Attorney's Office for the Southern District of New York, (F) the Department of Transportation, (G) the Federal Aviation Administration, (H) the Securities and Exchange Commission and (I) all parties that have expressed a credible interest in investing in the Debtors since the Petition Date. Such notice is good, adequate, sufficient and proper notice of this Order, the Proposed Investment, the Proposal Process, the Investment Agreement and the Auction, and any requirements for other notice are waived and dispensed with pursuant to Bankruptcy Rules 2002, 6004, 6006 and 9007 and sections 102 and 105 of the Bankruptcy Code.

Additional Provisions

13. The Debtors are hereby authorized and empowered to take such steps, expend such sums of money and do such other things as may be necessary to implement and effect the terms and requirements established by this Order.

14. This Order shall be binding upon, and inure to the benefit of the Debtors, their affiliates, agents, representatives, counsel and advisors, their successors and assigns and their respective affiliates, agents, representatives, counsel and advisors, any trustee or examiner that may be appointed in the Cases or in any cases under chapter 7 of the Bankruptcy Code to which the Cases may be converted, their estates, their creditors, Republic, its affiliates, agents, representatives, counsel and advisors, its successors and

assigns and their respective affiliates, agents, representatives, counsel and advisors and any other affected third parties, including, without limitation, all persons asserting any claims against or interests in the Debtors' estates and all other persons. Republic's rights under this Order shall survive any dismissal of the Cases.

15. As of the time of the closing date of the Proposed Investment pursuant to the Investment Agreement, all third-party agreements of any kind whatsoever entered prior to the date hereof shall be deemed amended or otherwise modified to the extent required to permit the consummation of the Proposed Investment.

16. Subject to the terms of the Investment Agreement, the Investment Agreement and any related agreements may be waived, modified, amended and/or supplemented by agreement of the Debtors and Republic, in each case without further action or order of the Court or notice to any other party to the extent that such waivers, modifications, amendments and/or supplements are favorable to the Debtors and/or are immaterial to the estates' creditors; provided, however, that the Debtors shall provide to the Creditors' Committee notice of any material waivers, modifications, amendments and/or supplements at least forty-eight hours prior to the effectiveness thereof.

17. ~~Subject to Section 8.02(e) of the Investment Agreement, this~~[This](#) Court shall retain jurisdiction over any matters related to or arising from the implementation of this Order, including to (i) interpret, implement and enforce the provisions of this Order (including the Termination Fee and the Expense Reimbursement); (ii) adjudicate and enforce Republic's rights with respect to its administrative expense claims granted hereunder and (iii) adjudicate all matters concerning the Proposal Process,

the Motion, this Order and the Investment Agreement (including the Termination Fee and the Expense Reimbursement).

18. Notwithstanding any Bankruptcy Rules that might otherwise delay the effective time of this order, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

Dated: _____, 2009
New York, New York

THE HONORABLE ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

Investment Agreement

APPENDIX 1

The Proposal Process

The Proposal Process

Through the process (the “**Proposal Process**”) set forth herein, the debtors and debtors in possession in these chapter 11 cases (the “**Debtors**”)³ shall seek the highest or otherwise best proposal for a commitment to make an equity investment in the Debtors (the “**Investment**”) with respect to the Debtors’ proposed plan of reorganization that was filed on June __, 2009 (the “**Plan**”). The Debtors have received a “stalking horse” proposal for such an Investment pursuant to the Investment Agreement (the “**Investment Agreement**”) among the Debtors and Republic Airways Holdings, Inc. (together with its affiliates, successors and permitted assigns, “**Republic**”) attached as Exhibit A to the order approving the Investment Agreement and the Proposal Process (such order, the “**Order**”).⁴ During the Proposal Process, the Debtors, the statutory committee of unsecured creditors appointed in the Cases (the “**Creditors’ Committee**”) and all other parties in interest shall be free to solicit inquiries, proposals, offers and bids from, and negotiate with, any and all persons and entities regarding a potential Investment.

If the Investment Agreement is terminated by Republic or Frontier Holdings for any reason at any time during the Proposal Process, the Debtors may, in their sole discretion, but after consultation with the Creditors’ Committee, terminate the Proposal Process. If the Debtors elect to terminate the Proposal Process, neither Republic nor the Debtors will have any obligations with respect thereto; provided that, for the avoidance of doubt, such termination of the Proposal Process will not affect the Debtors’ obligations with respect to the Termination Fee or Expense Reimbursement. For the avoidance of doubt, the Creditors’ Committee reserves all rights to challenge any decision made by the Debtors to terminate the Proposal Process.

Participation Requirements

Unless otherwise ordered by the Court for cause shown, any person or entity other than Republic may participate in the Proposal Process (each such person or entity, a “**Potential Investor**”) only by expressing interest in making the Investment by delivering (unless previously delivered) to (1) Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attention: Marshall S. Huebner and (2) Seabury Group LLC (the “**Financial Advisor**”), 1350 Avenue of the Americas, 25th Floor, New York, New York, 10019, Attention: Michael B. Cox no later than August 3, 2009 an initial submission package (the “**Initial Submission**”) containing the following items:

- (a) An executed confidentiality agreement in form and substance satisfactory to the Debtors and not less restrictive than the form attached as Appendix 3 to the Order;

³ The Debtors are Frontier Airlines Holdings, Inc., Frontier Airlines, Inc. and Lynx Aviation, Inc.

⁴ Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Order.

- (b) Current audited financial statements of the Potential Investor or, if the Potential Investor is an entity formed for the purpose of consummating the Investment, current audited financial statements of the equity holder(s) of the Potential Investor or such other form of financial disclosure acceptable to the Debtors and their advisors that demonstrate such Potential Investor's ability to close the Investment and perform its obligations in connection therewith; and
- (c) A preliminary (non-binding) proposal regarding the terms and conditions for the Investment proposed by the Potential Investor, including (i) the anticipated investment amount, (ii) the securities to be acquired by the Potential Investor and a summary of the material terms and conditions for such Investment, (iii) any proposed financing for the Investment (including the source and type of funding), (iv) the identity of all participants that would provide funding for the Investment (including the specific amount, source and type of funding to be provided by each such participant), and the identity of any person or entity that will participate in any way in the Investment without providing funding, (v) the principals of each entity that will participate in the proposal, (vi) the nature and extent of additional due diligence the Potential Investor may wish to conduct and (vii) such other information as the Debtors may reasonably request to be able to assess the Potential Investor's ability to make and consummate the Investment.

A “**Qualified Investor**” is a Potential Investor that has timely delivered the Initial Submission and that the Debtors determine, in their sole discretion after consultation with the Creditors’ Committee, (i) has the financial capability to consummate the Investment, (ii) is reasonably likely (based on availability of financing, experience and other considerations) to submit a bona fide proposal for the Investment and be able to consummate the Investment on a timely basis and (iii) has demonstrated that its Initial Submission is reasonably likely to result in a Qualified Proposal (as defined below).

Within two business days after a Potential Investor delivers its Initial Submission, the Debtors shall notify the Potential Investor, the Creditors’ Committee and Republic whether or not such Potential Investor has been determined to be a Qualified Investor. The Creditors’ Committee reserves all rights in connection with challenging the Debtors’ determination as to whether a Potential Investor is determined to be a Qualified Investor. Any party that wishes to participate in the Proposal Process must be determined to be a Qualified Investor. Neither the Debtors nor any of their representatives or agents shall be obligated to furnish any information of any kind whatsoever to any person who is not determined to be a Qualified Investor. The Debtors shall make all determinations provided herein in good faith, after consultation with the Creditors’ Committee, and shall prior to any consultation promptly provide such Initial Submissions to the Creditors’ Committee for review.

Republic and other parties in interest may seek review by the Court of the Debtors’ determination as to whether or not any Potential Investor should be deemed a Qualified Investor.

Due Diligence

The Debtors may afford any Qualified Investor the opportunity to conduct a reasonable due diligence review. The Debtors will designate an employee or other representative to coordinate all reasonable requests for information and due diligence access from Qualified Investors. Neither the Debtors nor any of their representatives shall be obligated to furnish any information to any person or entity, or to furnish any information after the Proposal Deadline (as defined below). The Debtors reserve the right to restrict access to due diligence materials to designated representatives of any Qualified Investor. The Debtors shall provide Republic and the Creditors' Committee with a copy of any due diligence information or materials delivered to any Potential Investor and not previously provided to Republic or the Creditors' Committee, as soon as reasonably practicable after such materials are delivered to the Potential Investor. For the avoidance of doubt, all due diligence information and materials made available to Republic shall also be made available to any Qualified Investor.

Each Qualified Investor shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Debtors prior to making its Binding Proposal (as defined below), that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets and liabilities of the Debtors in making its Binding Proposal, and that it did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Debtors, or the completeness of any information provided in connection with the Proposal Process, except in the case of the Successful Investor (as defined below) to the extent expressly stated in the definitive investment agreement with the Debtors.

Proposal Requirements

In order for any Qualified Investor's proposal to be considered by the Debtors and in order to take part in any Auction that might occur, a Qualified Investor must, at the conclusion of its due diligence process, submit a binding, written proposal (a "**Binding Proposal**") that includes:

- An executed copy of the Qualified Investor's proposed investment agreement, with a marked copy showing changes from the Investment Agreement.
- A commitment to refinance or otherwise satisfy the debtor-in-possession financing provided to the Debtors by Republic (the "**Amended and Restated DIP Credit Facility**") within 10 business days after entry by the Court of an order designating the Qualified Investor the Successful Investor (the "**DIP Refinancing**"). Such DIP Refinancing must provide for full payment to Republic in cash within such 10-business-day period of all amounts owed in connection with the Amended and Restated DIP Credit Facility, including all principal, interest, fees and expenses due thereunder.
- The Binding Proposal must not be subject to any conditions or contingencies less favorable to the Debtors than those that are in the Investment Agreement.

- The Binding Proposal must not require the payment of any break-up fee, termination fee or similar fee until and unless the Binding Proposal is approved by the Court as the Successful Proposal.
- The Binding Proposal must provide value to the Debtors of no less than \$109.75 million (less any amount provided by the Binding Proposal for the DIP Refinancing) plus, for Qualified Investors other than Republic, amounts sufficient to pay the Termination Fee and the Expense Reimbursement; it being understood that for each incremental dollar of overbid in excess of \$108.75 million (excluding such amounts sufficient to pay the Termination Fee and the Expense Reimbursement), the General Unsecured Creditors shall be entitled to one hundred percent of such dollars until such incremental dollars exceed \$20 million. For any such incremental amounts over \$20 million, bids must specify the allocation between the Debtors and the General Unsecured Creditors under the Plan.
- A good faith deposit (the “**Good Faith Deposit**”) in the amount of \$5 million in the form of either (a) a wire transfer of immediately available funds to an escrow account or accounts designated by the Debtors or (b) an irrevocable letter of credit for the benefit of the Debtors in a form and from a bank acceptable to the Debtors. The Good Faith Deposit shall be subject to the jurisdiction of the Court.
- A statement by the Qualified Investor that delivery of its Binding Proposal is not subject to (i) the outcome of any due diligence, (ii) the receipt of financing or (iii) board, shareholder or other similar approvals.
- A statement by the Qualified Investor that its Binding Proposal is irrevocable until the Approval Hearing (as defined below).

In addition, a Binding Proposal will not be considered unless it (i) is on terms and conditions that in the Debtors’ sole judgment (but after consultation with the Creditors’ Committee) are not more burdensome or conditional than those contained in the Investment Agreement; (ii) acknowledges and represents that the Qualified Investor (A) has had an opportunity to conduct any and all due diligence regarding the Debtors prior to making its proposal, (B) has relied solely upon its own independent review, investigation, and/or inspection of any documents and the assets and liabilities of the Debtors in making its proposal and (C) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Debtors or the completeness of any information provided in connection therewith, except as expressly provided in the Proposal Process; and (iii) is received by the Proposal Deadline (as defined below). A Binding Proposal received from a Qualified Investor will constitute a “**Qualified Proposal**” only if it includes all of the above-listed elements and meets all of the above-listed requirements; provided that the Debtors may waive non-material non-compliance with such elements and requirements in their sole and absolute discretion, after consultation with the Creditors’ Committee. Notwithstanding the foregoing, Republic shall be deemed a Qualified Investor, and the Investment Agreement shall be deemed a Qualified Proposal for all purposes in connection with the Proposal Process, the Auction and the Investment.

Proposal Deadline

A Qualified Investor who desires to make a Binding Proposal shall deliver a written and electronic copy of such proposal to (1) Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attention: Marshall S. Huebner and (2) Seabury Group LLC, 1350 Avenue of the Americas, 25th Floor, New York, New York, 10019, Attention: Michael B. Cox not later than noon (prevailing Eastern time) on August 10, 2009 (the “**Proposal Deadline**”). The Financial Advisor shall promptly thereafter distribute copies of all Qualified Proposals received to (i) the advisors for the Creditors’ Committee, (ii) counsel for Republic and (iii) counsel to all other Qualified Investors that have submitted Qualified Proposals.

Auction

If the Debtors receive a Qualified Proposal other than the Investment Agreement, the Debtors shall conduct an auction (the “**Auction**”). At least one business day prior to the Auction, each Qualified Investor who has submitted a Qualified Proposal must inform the Debtors whether it intends to participate in the Auction. The Debtors will promptly thereafter inform Republic, the Creditors’ Committee and each other Qualified Investor that has expressed its intent to participate in the Auction of the identity of all Qualified Investors that have expressed such intent.

The Auction shall commence at 10:00 a.m. (prevailing Eastern time) on August 11, 2009 at the offices of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, or such later time or other place as the Debtors shall notify all Qualified Investors that have submitted Qualified Proposals and expressed their intent to participate in the Auction, provided that the Auction shall not take place after August 17, 2009 (the “**Auction Termination Date**”), without the written consent of Republic and consultation with the Creditors’ Committee. Only Republic and any other Qualified Investors that have submitted a Qualified Proposal and expressed their intent to participate in the Auction as provided above shall be eligible to participate at the Auction and only those parties, the Debtors and the Creditors’ Committee may attend the Auction. Bidding at the Auction shall begin initially with the highest or otherwise best Qualified Proposal (taking into account the Termination Fee and the Expense Reimbursement) and shall continue at minimum increments of \$1 million thereafter. For avoidance of doubt, Republic shall have the right to credit the Termination Fee and Expense Reimbursement in respect of its bids at the Auction.

Immediately prior to the conclusion of the Auction, the Debtors, in consultation with the Creditors’ Committee, shall (i) review each proposal made at the Auction, (ii) identify (in their sole discretion) the highest or otherwise best proposal for the Investment (the “**Successful Proposal**”) and (iii) notify all Qualified Investors at the Auction, prior to its adjournment, of the identity of the Qualified Investor that made the Successful Proposal (the “**Successful Investor**”) and the material terms and conditions of the Successful Proposal. The determination of the Successful Proposal may be based on any and all factors the Debtors (after consultation with the Creditors’ Committee) deem relevant (which factors may include, without limitation, the structure of the proposed transaction, the reputation and credibility of the proponent, the strategic value of the transaction, the financial capacity of the proponent to consummate the transaction, the extent to which the transaction is subject to conditions [specifically including any MAE or other similar](#)

conditions and the counterparty's willingness to represent that as of the date of the Auction they believe that such conditions are satisfied), the expected timing of the closing, the impact on other debtor-in-possession financing, antitrust considerations and the value of the transaction to each constituency). The Creditors' Committee reserves all rights to the extent it disputes the Debtors' determination as to the Successful Proposal, and if the only substantive difference between two proposals made at the Auction is the willingness by one investor to represent that as of the date of the Auction they believe that any MAE or other similar conditions are satisfied, the Debtors shall not choose the investor not willing to so represent without the consent of the Creditors' Committee or further order of the Court.

If the Successful Investor fails to consummate the Investment because of a breach or failure to perform on the part of such Successful Investor, the Debtors, in addition to any other rights or remedies, will not have any obligation to return the Good Faith Deposit deposited by such Successful Investor, and such Good Faith Deposit shall irrevocably become property of the Debtors.

The Debtors, after consultation with the Creditors' Committee, may adopt additional rules for the proposal process at the Auction that, in their reasonable judgment, will better promote the goals of the Proposal Process and that are not inconsistent with any of the provisions of the Order.

If no Qualified Proposal other than the Investment Agreement is received by the Proposal Deadline or if no Qualified Investor that had submitted a Qualified Proposal desires to proceed to an Auction, no Auction shall be conducted and Republic's proposal as set forth in the Investment Agreement shall constitute the Successful Proposal.

Acceptance of the Successful Proposal

Within three business days of identifying a Successful Proposal, the Debtors shall file a notice with the Court identifying such Successful Proposal. If Republic's proposal, as set forth in the Investment Agreement or as may be improved at the Auction, is the Successful Proposal, then such proposal shall be deemed approved by the Court; provided, however, that the Debtors shall make any appropriate amendments to the Plan as may be necessary. If the Auction is held and Republic's proposal is chosen as the Successful Proposal over another Qualified Proposal at the Auction, the Creditors' Committee reserves the right to challenge such selection by seeking an expedited hearing before the Court. If Republic's proposal, as set forth in the Investment Agreement, is not the Successful Proposal, in addition to making appropriate amendments to the Plan, the Debtors shall present the Successful Proposal for specific approval by the Court at a hearing (the "**Approval Hearing**") to be scheduled not later than twenty-one days following the Auction.

In the event that the Investment Agreement is not the Successful Proposal, the Debtors' presentation of the Successful Proposal at the Approval Hearing does not constitute the Debtors' acceptance of the proposal. The Debtors will be deemed to have accepted any Alternative Proposal only when such proposal has been approved by the Court.

APPENDIX 2

Notice of Auction

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

	x	
	:	
In re:	:	Chapter 11 Case No.
	:	
FRONTIER AIRLINES	:	08-11298 (RDD)
HOLDINGS, INC., et al.,	:	
	:	(Jointly Administered)
Debtors.	:	
	x	

NOTICE OF AUCTION

PLEASE TAKE NOTICE THAT:

Pursuant to the Order (I) Approving and Authorizing Debtors to Perform Under Investment Agreement, (II) Approving Procedures for Consideration of Other Investment Proposals, (III) Scheduling Proposal Deadlines and an Auction and (IV) Approving Form and Manner of Notice Thereof, entered by the United States Bankruptcy Court for the Southern District of New York (the “Court”) on _____, 2009 (the “**Order**”),⁵ the debtors and debtors in possession (the “**Debtors**”)⁶ are seeking the highest or otherwise best proposal for a commitment to make an equity investment in the Debtors or provide debt financing to the Debtors under a plan of reorganization (including the refinancing of certain debtor-in-possession financing provided by Republic Airways Holdings, Inc., the “**Investment**”).

The Proposed Investment. The Debtors and Republic Airways Holdings, Inc. (together with its affiliates, successors and permitted assigns, “**Republic**”) have entered into an investment agreement (the “**Investment Agreement**”), pursuant to which Republic has agreed under certain circumstances to provide \$108.75 million in cash for 100% of the new common stock of the Debtors. The Investment Agreement may be terminated by the Debtors if the Debtors receive a higher or otherwise better proposal.

The Auction. If the Debtors receive a Qualified Proposal other than the Investment Agreement by no later than noon (prevailing Eastern Time) on August 10, 2009, the Debtors may conduct an auction (the “**Auction**”). The Auction shall commence at 10:00 a.m. (prevailing Eastern time) on August 11, 2009 at the offices of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, or such later time or other place as the Debtors shall

⁵ Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Order.

⁶ The Debtors are the following entities: Frontier Airlines Holdings, Inc.; Frontier Airlines, Inc.; and Lynx Aviation, Inc.

determine and of which the Debtors shall notify all Qualified Investors who have submitted Qualified Proposals and expressed their intent to participate in the Auction.

If no Qualified Proposal other than the Investment Agreement is received by the Proposal Deadline or if no Qualified Investor that had submitted a Qualified Proposal desires to proceed to an Auction, no Auction shall be conducted and Republic's proposal as set forth in the Investment Agreement shall constitute the Successful Proposal.

Proposal Process. Attendance and participation at the Auction is subject to certain terms, conditions and procedures attached as Appendix 1 to the Order (collectively, the "**Proposal Process**").

The Approval Hearing. If the Debtors select a Successful Proposal other than the Investment Agreement, the Debtors shall promptly request a hearing for the Court's approval of the Successful Proposal to be scheduled not later than twenty-one days following the Auction. The Debtors shall file on the Court's docket a notice of any such hearing and the objection deadline related thereto.

This notice is qualified in its entirety by the Order. All persons and entities are urged to read the Order and the provisions thereof carefully. To the extent this notice is inconsistent with the Order, the terms of the Order shall govern.

Copies of the Order (which includes a detailed description of the Proposal Process) and the Investment Agreement are available on the Debtor's case information website (located at www.frontier-restructuring.com).

New York, New York

Dated: _____, 2009

By: _____
DAVIS POLK & WARDWELL LLP
450 Lexington Avenue
New York, New York 10017
Telephone: (212) 450-4000
Facsimile: (212) 450-6501

Marshall S. Huebner
Timothy E. Graulich
Damian S. Schaible
Darren S. Klein

*Counsel to the Debtors
and Debtors in Possession*

APPENDIX 3

Form of Confidentiality Agreement

CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT FRONTIER AIRLINES

This **CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT** (this “**Agreement**”) is made as of _____ (the “**Effective Date**”) between Frontier Airlines Holdings, Inc., having a place of business at 7001 Tower Road, Denver, Colorado 80249 (“**Frontier**”), and _____, having a principal place of business at _____ (“**Recipient**”). Capitalized terms will have the meanings ascribed to them in this Agreement. The parties hereby agree that disclosures of Confidential Information by Frontier or its representatives to the Recipient or its representatives shall be governed by the following terms and conditions.

1. **Confidential Information.** For purposes of this Agreement, “**Confidential Information**” means all non-public information Frontier or its representatives disclose to Recipient or its representatives, whether written, oral, photographic, electronic, magnetic or otherwise, whether in the form of slides, handouts, letters, memoranda, agreements, facsimile transmissions, meetings, conference and other telephone calls, travel drives, files, tapes and/or any other mode, and includes, without limitation information relating to Frontier’s financial and/or business operations, business ventures, strategic plans, pricing, schedules, fare structures, marketing strategies and programs, strategic insights and statistical models (including those regarding customers, prospective customers and their behavior), product plans, ideas, concepts, business plans, financial condition and projections, employee identities and information, inventions, algorithms, decision technology and/or models, processes, designs, specifications, drawings, samples, improvements, developments, applications, engineering, manufacturing and marketing data and plans, software code (object and source), security procedures and approaches, know-how, experimental work, distribution arrangements, trade secrets and/or ideas. However, Confidential Information does not include information as identified below in Section 6 (Exclusions).

2. **Purpose for Disclosure.** Recipient may use Confidential Information only for the purpose of conducting its necessary due diligence and analysis of a potential financing arrangement between the parties hereto in connection with a plan of reorganization of Frontier (the “**Business Purpose**”).

3. **Limitations of Use.** Recipient shall use the Confidential Information only to further the proposed relationship between the parties, and shall use reasonable best efforts to hold and maintain the Confidential Information in strict confidence using the same degree of care that the Recipient uses with respect to its own comparable, highly confidential or proprietary information. Recipient hereby expressly agrees that it and its Affiliates (as defined below) and its Advisors (as defined below) will use the Confidential Information exclusively for the Business Purpose and, without limiting the generality of the foregoing, neither Recipient nor its Affiliates or Advisors shall use any of the Confidential Information (i) to obtain any competitive advantage at any time if a transaction with Frontier is not consummated or (ii) in furtherance of Recipient’s business or the business of any person or entity other than Frontier, irrespective of whether such business competes with Frontier. Recipient hereby further agrees that it shall not disclose any Confidential Information to any person or entity and shall safeguard and keep secret the Confidential Information; provided, however, that Recipient shall be permitted to disclose the Confidential

Information to its affiliates, subsidiaries, directors, officers, employees, subcontractors, and agents (collectively “**Affiliates**”) and its accountants, attorneys and other confidential advisors (collectively “**Advisors**”) who need to know such Confidential Information for the purpose of assisting Recipient in connection with the Business Purpose. Recipient agrees to be responsible for each breach of this Agreement by its Affiliates and Advisors, and Recipient agrees that its Affiliates and Advisors will be advised, prior to any disclosure, by Recipient of the confidential nature of such information and, if not subject to an existing obligation of confidentiality to Recipient, the terms and conditions of which are materially the same as those set forth herein, such Affiliates and Advisors shall agree in writing, prior to any disclosure, to be bound by this Agreement. Additionally, Recipient hereby represents and warrants to Frontier that it is not a party to, or bound by, any agreement, document or arrangement that would conflict with, or prevent or impair Recipient’s performance under, any of the terms or conditions of this Agreement.

4. **Nondisclosure of Business Purpose.** Neither the Recipient, nor its Affiliates or Advisors without the prior written consent of Frontier will disclose to any person or entity (it being acknowledged that each of the following shall be included in the definition of Confidential Information): (a) the fact that Confidential Information has been provided to it or that it has had access to Confidential Information, under this Agreement; (b) that discussions or negotiations are taking place with respect to the Business Purpose; or (c) the existence, terms, conditions or other facts of such Business Purpose, including the status thereof.

5. **Ownership of Information.** Recipient acknowledges and agrees that any Confidential Information of Frontier, in whatever form, is the sole property of Frontier. Neither Recipient nor its Affiliates or Advisors shall use any of the Confidential Information now or hereafter received or obtained from Frontier to obtain any competitive advantage at any time if a transaction with Frontier is not consummated, in furtherance of Recipient’s business or the business of anyone else whether or not in competition with Frontier, or for any other purpose whatsoever, other than as contemplated by the Business Purpose. Recipient agrees that upon the request of, and as directed by, Frontier it shall either return such Confidential Information to Frontier or shall destroy such Confidential Information as so directed; provided, however, that if Recipient has presented or provided materials derived from the Confidential Information of Frontier to its board of directors or any committee thereof or to any management committee, then Recipient may retain a copy of such materials for its corporate records or other legitimate internal corporate governance purposes, provided that Recipient shall continue to treat such materials as Confidential Information in accordance with the terms of this Agreement, notwithstanding any termination hereof.

6. **Exclusions.** Recipient shall have no obligation under this Agreement as to Confidential Information which: (a) is known to Recipient at the time of disclosure, without obligation of confidentiality; (b) is independently developed by Recipient without reference to or use of Frontier’s Confidential Information (or the confidential information of another party); (c) becomes known to Recipient from another source, unless the Recipient knows or reasonably believes that such other source was subject to a confidentiality restriction at the time of disclosure to Recipient; (d) is or becomes part of the public domain through no wrongful act of Recipient; or (e) is disclosed publicly pursuant to any judicial or governmental request or order; provided that, unless requested not to do so by the judicial or governmental entity, Recipient takes reasonable steps to give Frontier sufficient prior written notice so that Frontier may seek (with the reasonable

cooperation of Recipient and at Frontier's expense) a protective order to contest or limit the scope of such request or order as much as possible.

7. **Period of Disclosure.** This Agreement covers only Confidential Information disclosed between the Effective Date and twenty-four (24) months thereafter. This Agreement and each party's obligations hereunder, shall expire two (2) years from the Effective Date.

8. **Warranty.** CONFIDENTIAL INFORMATION IS PROVIDED "AS IS" AND FRONTIER DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ACCURACY, COMPLETENESS, FITNESS FOR A PARTICULAR PURPOSE, MERCHANTABILITY AND NONINFRINGEMENT OF PATENT, COPYRIGHT OR LICENSE.

9. **Injunctive Relief.** The Recipient acknowledges that all Confidential Information is considered to be proprietary, of competitive value and in many instances, trade secrets. Recipient agrees that because of the unique nature of the Confidential Information, any breach of this Agreement would cause Frontier irreparable harm and monetary damages and other damages available at law would be inadequate to compensate Frontier for such breach. Accordingly, the Recipient agrees Frontier, in addition to any other remedies available to it at law or in equity, will be entitled to injunctive relief and specific performance to enforce the provisions of this Agreement without proof of actual damages and without any requirement to post a bond or provide other security.

10. **Compelled Disclosure.** If Recipient or any of its Affiliates or Advisors is legally compelled (whether by regulatory request, deposition, interrogatory, request for documents, subpoena, civil investigation, demand or similar process, in each case whether in a bankruptcy proceeding or otherwise) to disclose any of the Confidential Information (including the fact that discussions or negotiations are taking place with respect to the Business Purpose), Recipient shall immediately notify Frontier in writing of such requirement so that Frontier may seek a protective order or other appropriate remedy and/or waive compliance with the provisions hereof. Recipient will use its best efforts, at Frontier's expense, to obtain or assist Frontier in obtaining any such protective order. Failing the entry of a protective order or the receipt of a waiver hereunder, Recipient may disclose, without liability hereunder, that portion (and only that portion) of the Confidential Information that Recipient has been advised by written opinion of counsel reasonably acceptable to Frontier that it is legally compelled to disclose; provided, however, that Recipient agrees to use its best efforts to obtain assurance, at no cost to Recipient, that confidential treatment will be accorded such Confidential Information by the person or persons to whom it is disclosed.

11. **Securities Law Compliance.** Recipient acknowledges and is aware, and it will advise its Affiliates and Advisors who are informed as to the matters which are the subject of this Agreement, that federal and many state securities laws prohibit any person who has received from an issuer material, non-public information from purchasing or selling securities of such issuer or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

12. **Choice of Law.** This Agreement will be governed by and interpreted in accordance with the laws of the State of New York, excluding its choice of laws rules.

EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING (WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF, OR RELATED TO, THIS AGREEMENT.

13. **General.**

(a) Assignment. This Agreement is not assignable or transferable by either party; any attempted assignment will be void and without effect, unless such assignment is agreed to in writing by both parties.

(b) No Other Rights. No license or transfer of intellectual property rights in any Confidential Information are provided hereunder, either expressly or by implication, estoppel or otherwise.

(c) No Agency. This Agreement does not create any agency or partnership relationship between the parties.

(d) Export. Recipient acknowledges the export of Confidential Information may be subject to regulations that prohibit the export of such information to certain foreign countries or the disclosure of such information to certain foreign nationals. The parties, therefore, agree to comply strictly with all applicable export laws, regulations, executive orders and the like.

(e) Complete Agreement. This Agreement constitutes the complete agreement between the parties on the subject matter identified herein. Any modifications to this Agreement must be in writing and signed by both parties. If any provision of this Agreement shall be held invalid in a court of law, the remaining provisions shall be construed as if the invalid provision were not included in this Agreement.

(f) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but which together shall constitute one and the same instrument.

(g) Facsimile Signatures. This Agreement may be executed and delivered by facsimile. Any facsimile signatures shall have the same legal effect as manual signatures.

(h) No Waiver of Rights. The rights and remedies conferred by this Agreement are cumulative and the exercise of these rights will be without prejudice to the enforcement of any other right or remedy authorized by this Agreement, common law, statute or equity. No waiver of any breach or default shall be deemed or construed to constitute a waiver of any other violation or other breach of any of the terms, provisions and covenants contained in this Agreement, and forbearance to enforce one or more of the remedies provided on an event of default will not be deemed or construed to constitute a waiver of the default or of any other remedy provided for in this Agreement.

IN WITNESS WHEREOF, a duly authorized representative of each party hereby executes and delivers this Agreement as of the date first written above.

FRONTIER AIRLINES HOLDINGS, INC.

By _____

Name _____

Its _____

By _____

Name _____

Its _____