FINANCIAL PROJECTIONS

Introduction[1]

The following financial projections for the consolidated Reorganized Debtors ("**Consolidated Financial Projections**") are based on forecasts of operating results during the period ending March 31, 2012 (the "**Projection Period**"). These Financial Projections include: actual financial results for each of the Fiscal Years ending March 31, 2008 and 2009; actual financial results for the months of April, May and June 2009; projected financial results for the remainder of the Fiscal Year ending March 31, 2010; and projected financial results for each of the Fiscal Years ending March 31, 2011 and 2012. Also attached are the notes and assumptions to the Financial Projections (together, the "**Notes**"). The Financial Projections and the Notes should be read in conjunction with the Plan and the Disclosure Statement.

The Debtors, with the assistance of their financial advisors, have prepared these Financial Projections to assist the Bankruptcy Court in determining whether the Plan meets the "feasibility test" of section 1129(a)(11) of the Bankruptcy Code.

The Debtors generally do not publish their business plans, strategies, projections or anticipated financial position or results of operations. Accordingly, the Debtors do not anticipate that they will, and disclaim any obligation to, furnish updated business plans or projections to holders of Claims or Interests, or to include such information in documents required to be filed with the Securities and Exchange Commission or otherwise make public such information. Furthermore, although the Debtors used reasonable best efforts to prepare the Consolidated Financial Projections, the Debtors cannot be certain that no errors were made, and the Debtors disclaim any obligation to correct any errors made at any time.

THE FINANCIAL PROJECTIONS HAVE BEEN PREPARED BY THE MANAGEMENT OF THE DEBTORS, IN CONJUNCTION WITH THE DEBTORS' FINANCIAL ADVISORS, SEABURY SECURITIES, LLC. THE FINANCIAL PROJECTIONS WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE RULES AND REGULATIONS OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AND BY THEIR NATURE ARE NOT FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA.

THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NEITHER EXAMINED NOR COMPILED THE ACCOMPANYING FINANCIAL PROJECTIONS AND ACCORDINGLY DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE FINANCIAL PROJECTIONS, DO NOT ASSUME

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[1] Capitalized terms used but not otherwise defined herein have the meanings given to such terms in the Disclosure Statement for Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code filed on July 22, 2009.

RESPONSIBILITY FOR THE FINANCIAL PROJECTIONS AND DISCLAIM ANY ASSOCIATION WITH THE FINANCIAL PROJECTIONS.

THE FINANCIAL PROJECTIONS REFLECT AN ESTIMATE OF THE IMPACT OF FRESH START REPORTING IN ACCORDANCE WITH AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS STATEMENT OF POSITION 90-7, “FINANCIAL REPORTING BY ENTITIES IN REORGANIZATION UNDER THE BANKRUPTCY CODE.” THE ACTUAL IMPACT OF FRESH START REPORTING COULD MATERIALLY DIFFER FROM THESE PROJECTIONS.

THE FINANCIAL PROJECTIONS CONTAIN CERTAIN STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE STATEMENTS ARE SUBJECT TO A NUMBER OF ASSUMPTIONS, RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS AND THE REORGANIZED DEBTORS, INCLUDING THE CONFIRMATION OF THE PLAN ON THE PRESUMED EFFECTIVE DATE, THE CONTINUING AVAILABILITY OF SUFFICIENT BORROWING CAPACITY OR OTHER FINANCING TO FUND OPERATIONS, ACHIEVING OPERATING EFFICIENCIES, FLUCTUATIONS IN FUEL PRICE, TERMS AND CONDITIONS OF NEW CREDIT FACILITIES (IF ANY), MAINTAINING GOOD EMPLOYEE RELATIONS, EXISTING AND FUTURE GOVERNMENTAL REGULATIONS AND ACTIONS OF GOVERNMENTAL BODIES, ACTS OF TERRORISM OR WAR, INDUSTRY-SPECIFIC RISK FACTORS (INCLUDING AS DETAILED IN THE DISCLOSURE STATEMENT IN THE SECTION ENTITLED “RISKS RELATING TO THE DEBTORS’ BUSINESS AND FINANCIAL CONDITION”) AND OTHER MARKET AND COMPETITIVE CONDITIONS. HOLDERS OF CLAIMS ARE CAUTIONED THAT THE FORWARD-LOOKING STATEMENTS SPEAK AS OF THE DATE MADE AND ARE NOT GUARANTEES OF FUTURE PERFORMANCE. ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS, AND THE DEBTORS UNDERTAKE NO OBLIGATION TO UPDATE ANY SUCH STATEMENTS.

THE FINANCIAL PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY THE DEBTORS, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS AND THE REORGANIZED DEBTORS. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE OR ARE MADE AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR TO THE REORGANIZED DEBTORS’ ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL BE INCORRECT. MOREOVER, EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THESE FINANCIAL PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS

THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE DEBTORS AND REORGANIZED DEBTORS DO NOT INTEND AND DO NOT UNDERTAKE ANY OBLIGATION TO UPDATE OR OTHERWISE REVISE THE FINANCIAL PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE THESE FINANCIAL PROJECTIONS ARE FILED OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. THEREFORE, THE FINANCIAL PROJECTIONS MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS OF CLAIMS OR INTERESTS MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE FINANCIAL PROJECTIONS.

THESE FINANCIAL PROJECTIONS WERE DEVELOPED SOLELY FOR PURPOSES OF THE FORMULATION AND NEGOTIATION OF THE PLAN AND TO ENABLE THE HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE UNDER THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF SECURITIES OF, OR CLAIMS OR INTERESTS IN, THE DEBTORS OR ANY OF THEIR AFFILIATES.

Supplemental Defined Terms

ASM shall mean available seat miles.

Early Returns® shall refer to the frequent flyer program of Frontier Airlines, Inc..

PRASM shall mean passenger revenue per available seat mile.

General Assumptions In The Financial Projections And The Notes

The Financial Projections have been prepared on the assumption that the Effective Date is September 30, 2009. The Consolidated Financial Projections are based on, and assume, among other things, the successful reorganization of the Debtors, the equity investment by the Plan Sponsor and implementation of the Reorganized Debtors' emergence business plan. Although the Debtors presently intend to cause the Effective Date to occur as soon as practical following Confirmation of the Plan, there can be no assurance as to when the Effective Date will actually occur. If the Effective Date is delayed, the Debtors will continue to incur reorganization costs, which may be significant.

Reclassification of Amounts

Certain items have been reclassified from other publicly available documents, including the Debtors' Annual Report on Form 10-K, to conform to the presentation of the financial projections presented in this document.

Projected Consolidated Statements of Operations [(1)]
(unaudited)
(in millions)

Consolidated Income Statement	Actual		Forecast		
	Year Ending March 31,				
	2008	2009	2010	2011	2012
Consolidated Operating Revenues					
Passenger Revenue	$1,237.2	$1,208.4	$1,052.7	$1,160.3	$1,239.6
Other Revenue	48.6	63.5	92.3	101.6	106.4
Capacity Sale	-	-	-	-	-
Total	$1,285.8	$1,271.9	$1,144.9	$1,261.9	$1,346.0
Consolidated Operating Expenses					
Flight Ops	$182.2	$165.1	$159.8	$166.8	$181.6
Fuel	456.5	515.3	333.9	388.0	423.0
AC Rent	116.1	115.7	114.2	113.5	121.7
Maintenance	104.7	95.3	67.2	104.8	129.4
Aircraft and Traffic Servicing	187.7	182.3	181.0	191.1	201.3
Promotion & Sales	131.6	100.9	108.2	110.6	114.7
General and Administrative	62.5	56.5	58.3	62.7	68.3
D&A	41.3	41.0	35.3	36.2	39.3
Other	8.0	-	-	-	-
Total	$1,290.7	$1,271.9	$1,058.0	$1,173.7	$1,279.4
Consolidated Operating Income / (Loss)	($5.0)	($0.0)	$87.0	$88.2	$66.6
Discontinued Operations	($33.0)	($9.2)	$0.0	$0.0	$0.0
Consolidated Non-Operating Income / (Loss)					
Interest Income	$12.0	$4.1	$2.2	$3.0	$3.0
Interest Expense	(36.4)	(29.3)	(22.4)	(17.2)	(19.2)
Other	2.0	(211.9)	250.0	(1.9)	(0.7)
Profit Sharing	-	-	(9.7)	(10.5)	(7.0)
Total	($22.4)	($237.2)	$220.0	($26.5)	($23.8)
Consolidated Pre-Tax Income / (Loss)	($60.4)	($246.4)	$307.0	$61.7	$42.7
Consolidated Income Tax Expense / (Benefit)	($0.1)	$1.8	$0.5	$15.1	$10.1
Consolidated Net Income / (Loss)	($60.3)	($248.2)	$306.5	$46.6	$32.6

(1) Certain items have been reclassified from other publicly available documents, including the Debtors' Annual Report on Form 10-K, to conform to the presentation of the financial projections presented in this document.

Please read in conjunction with associated Notes.

Projected Consolidated Balance Sheets [(2)]
(unaudited)
(in millions)

Balance Sheet	Actual 2008	Actual 2009	Forecast March 31, 2010	Forecast 2011	Forecast 2012
Current Assets					
Cash & Short-Term Investments	$129.3	$71.8	$165.4	$165.8	$143.3
Restricted Cash	74.1	134.4	122.9	134.0	146.8
Accounts Receivable	57.7	40.5	31.1	31.2	31.5
Other Current Assets	45.1	33.4	32.2	32.2	32.2
Total	$306.3	$280.0	$351.5	$363.1	$353.8
Non-Current Assets					
Property Plant & Equipment, net	$870.2	$609.8	$583.7	$564.5	$587.7
Other Assets	73.5	39.8	210.2	230.8	249.7
Goodwill	-	-	(350.5)	(350.5)	(350.5)
Total	$943.7	$649.6	$443.4	$444.8	$486.9
Visa/MC					
Total Assets	$1,250.0	$929.6	$794.9	$807.9	$840.6
Current Liabilities					
Accounts Payable	$79.7	$44.9	$42.0	$40.0	$39.2
Air Traffic Liability	226.0	145.2	124.9	138.3	153.7
Current portion - LT Debt	38.2	26.6	27.7	30.1	32.6
Other Current Liabilities	105.4	307.3	67.8	67.3	66.5
Total	$449.4	$524.0	$262.4	$275.7	$292.1
Non-Current Liabilities					
Aircraft Debt	$532.1	$355.7	$323.8	$293.5	$293.8
Other Liabilities	116.4	143.8	99.7	83.1	66.4
Total	$648.5	$499.6	$423.5	$376.5	$360.1
Stockholders' Equity					
Accumulated Earnings / (Deficit)	($42.9)	($291.1)	$0.4	$47.0	$79.6
APIC / New Equity	195.9	197.1	108.8	108.8	108.8
Other	(0.9)	0.0	-	-	-
Total	$152.1	($93.9)	$109.1	$155.7	$188.3
Total Liabilities & Shareholders' Equity	$1,250.0	$929.6	$794.9	$807.9	$840.6

(2) Certain items have been reclassified from other publicly available documents, including the Debtors' Annual Report on Form 10-K, to conform to the presentation of the financial projections presented in this document.

Please read in conjunction with associated Notes.

Projected Consolidated Statements of Cash Flows [3]
(unaudited)
(in millions)

	Actual		Forecast		
	Year Ending March 31,				
Cash Flow Statement	**2008**	**2009**	**2010**	**2011**	**2012**
Net Income	($60.3)	($248.2)	$306.5	$46.6	$32.6
Depreciation & Amortization	41.3	41.0	35.3	36.2	39.3
Restricted Cash	(31.3)	(80.7)	9.9	(11.1)	(12.8)
Security Deposits	(4.3)	(1.1)	(4.6)	(1.2)	(1.2)
Changes in Other Working Capital	64.6	(114.9)	(21.2)	13.2	15.6
Maintenance Reserves	-	-	(16.0)	(13.1)	(16.2)
Gain / (Loss) on Disposal of Assets	1.8	(8.6)	0.1	-	-
Other	26.9	268.8	(321.1)	(2.4)	(2.0)
Operating Cash Flows	$38.8	($143.5)	($11.1)	$68.3	$55.3
Capital Expenditures	($432.5)	($18.6)	($34.0)	($17.0)	($62.5)
PDP (Payments) / Refunds, Net	35.6	5.1	(9.6)	(6.3)	(1.5)
Proceeds from Sale of Assets	108.1	262.7	20.2	-	-
Other	(8.8)	-	-	-	-
Investing Cash Flows	($297.7)	$249.3	($23.4)	($23.3)	($63.9)
Debt Issuance	$344.8	$30.0	$117.0	$0.0	$33.4
Debt (Payment)	(158.1)	(191.1)	(96.1)	(44.5)	(47.3)
Proceeds from Equity Raise	-	-	108.8	-	-
Other	(1.4)	(2.2)	(1.5)	-	-
Financing Cash Flow	$185.3	($163.3)	$128.1	($44.5)	($13.9)
Increase / (Decrease) in Cash	($73.6)	($57.5)	$93.6	$0.4	($22.5)
Beginning Cash & Short-Term Investments	$203.0	$129.3	$71.8	$165.4	$165.8
Ending Cash & Short-Term Investments	$129.3	$71.8	$165.4	$165.8	$143.3

(3) Certain items have been reclassified from other publicly available documents, including the Debtors' Annual Report on Form 10-K, to conform to the presentation of the financial projections presented in this document.

Please read in conjunction with associated Notes.

Notes to Projected Consolidated Statements of Operations

Overview

The Reorganized Debtors project operating margins of 5-8% and EBITDAR margins of 16-21% in Fiscal Years 2010 to 2012.

Operating Revenue

Passenger Revenue: The Reorganized Debtors project Passenger Revenue of $1.1 billion for Fiscal Year 2010, a decrease of 13% over Fiscal Year 2009, due to fare decreases that reflect weak passenger demand driven primarily by an economic slowdown. Beginning in Fiscal Year 2011 through Fiscal Year 2012, Passenger Revenue is forecast to increase at an average annual rate of 8%, or a total of $31 million over Fiscal Year 2009. The increase is due to an expected economic recovery in Fiscal Year 2011 combined with capacity growth mostly in Fiscal Years 2011 and 2012, such that Passenger Revenue in Fiscal Year 2012 is projected to be $1.2 billion. This increase in Fiscal Year 2012 includes a $12 million increase in mainline Passenger Revenue and a $20 million increase in regional wholly-owned operator's Passenger Revenue (Lynx), the two components that comprise Passenger Revenue, in each case as compared to 2009.

The Reorganized Debtors forecast consolidated PRASM of 9.28 cents for Fiscal Year 2010, a decrease of 8% over Fiscal Year 2009, followed by a 10% increase in Fiscal Year 2011 to 10.17 cents. In Fiscal year 2012, consolidated PRASM is expected to increase by 2%, such that consolidated PRASM in Fiscal Year 2012 is expected to be 10.37 cents.

The Reorganized Debtors project consolidated ASMs of 11.3 billion for Fiscal Year 2010, a decrease of 6% over Fiscal Year 2009. In the Projection Period, consolidated capacity is forecast to increase at an average annual rate of 3%, or a total of 0.9 billion ASMs versus Fiscal Year 2009, such that consolidated capacity in Fiscal Year 2012 is projected to be 12.0 billion ASMs. During fiscal years 2011 and 2012 , mainline capacity is forecast to increase at an average annual rate of 2.7%. Regional capacity during the same period is forecast to increase at an average annual rate of 2.5%.

Other Revenue: This includes Reorganized Debtors' lines of businesses related to their core scheduled passenger service operation, including Early Returns®, in-flight sales (liquor, food and entertainment), in addition to miscellaneous revenue streams (*e.g.*, baggage fees). The Reorganized Debtors anticipate revenue of $92 million from these sources for Fiscal Year 2010, an increase of 45% over Fiscal Year 2009. Over the Projection Period beyond Fiscal Year 2010, these revenues are projected to increase at an average annual rate of 7%, such that they reach $106 million in Fiscal Year 2012, a $43 million increase as compared to Fiscal Year 2009. Growth forecasts for these various operations are driven by existing contractual agreements, management expectations for certain business lines, capacity growth and inflation.

Operating Expenses

Aircraft Fuel: Aircraft fuel is projected to be the Reorganized Debtors' largest expense. The Consolidated Financial Projections assume fuel price escalation based on the Gulf Coast Jet Fuel (GCJET) and West Texas Intermediate (WTI) forward curves as of August 17,, 2009, resulting in a cost for jet fuel of $2.06 (including taxes and fees) per gallon for Fiscal Year 2010, $2.37 per gallon for Fiscal Year 2011 and $2.48 per gallon for Fiscal Year 2012. To mitigate exposure to fuel price volatility, the Reorganized Debtors intend to continue their fuel hedging program.

Labor: Labor costs are projected to be the Reorganized Debtors' second largest expense, representing approximately 22% of annual mainline operating expenses during the Projection Period. In the Consolidated Statement of Operations, labor costs are included in each of the cost areas shown (*e.g.*, Flight Operations, Air Traffic and Servicing, Maintenance, Promotion & Sales, General & Administrative).

During the post-petition period, the Reorganized Debtors lowered employment costs by headcount reductions and salary rate and benefit cost decreases for all employee groups. During the Projection Period, these expenses are forecast based on anticipated operating levels, the impact of ongoing initiatives to improve productivity, the terms of the renegotiated FAPA, IBT and TWU contracts and the projected wages and benefits for ground, flight attendant and management employees.

The Debtors' business plan targets $41.8 million of annual labor cost savings due to concessions and process efficiencies. This excludes labor cost associated with the rightsizing of the airline or reductions in capacity. In the Projection Period, labor costs, excluding profit sharing expense, are anticipated to decline in Fiscal Year 2010 driven by full-year savings from labor concessions and productivity improvements and then begin to grow in Fiscal Year 2011, driven by rate increases and headcount growth and contractual wage restoration provisions.

Depreciation and Amortization: The Consolidated Financial Projections include depreciation and amortization on a straight-line basis over the estimated useful life of the property and equipment (primarily flight equipment). Useful life generally ranges from 3 to 25 years depending on the fixed asset. The Consolidated Financial Projections anticipate capital expenditures between $34 and $63 million per year in order to support the Reorganized Debtors' operations.

Flight Operations: Pilot and Flight Attendant personnel cost makes up most of Flight Operations cost. In addition, certain support functions such as training, dispatch, scheduling and catering are included in this line. During the Projection Period, Flight Operations cost is expected to increase at an average annual rate of 3% partly driven by wage restoration provisions set forth in the pilot labor agreement which are projected to be applied to Flight Attendant wages as well, on a pro-rata basis. A 3% average annual increase in capacity will also contribute to the increase in Flight Operations cost, which is expected to reach $182 million in Fiscal Year 2012, up from $165 million in Fiscal Year 2009.

Promotion and Sales: Includes the cost of promotional activities, credit card fees and other selling expenses such as charges for travel agency commissions and the costs of distributing tickets through global distribution systems. These expenses generally tend to increase with increases in total revenue and are projected to increase at an average annual rate of 4%.

Air Traffic and Servicing: This line item is mostly comprised of: (a) rent expense for various airport facilities leased by the Debtors; (b) landing fees incurred based on the number of arrivals/departures at a given airport, aircraft weights and corresponding rates established by such airports; and (c) the labor associated with airport/ground operations. These expenses, as a whole, are anticipated to grow at an average annual rate of 3% during the Projection Period from a total of $182 million in Fiscal Year 2009 to $201 million in Fiscal Year 2012, driven largely by a corresponding increase in departures.

Maintenance: The Debtors' currently outsource all engine maintenance activities. The Consolidated Financial Projections assume that all heavy airframe maintenance will continue to be performed in-house. During the Projection Period, maintenance expense estimates are driven by a projected calendar of heavy airframe and engine overhaul events, combined with anticipated line maintenance expense driven largely by the volume of flying and related overhead expense.[2]

Aircraft Rent: Aircraft rent reflects the operating expense associated with the Debtors' aircraft financed under operating leases. In addition, the Debtors operate various aircraft under debt financing structures. Expenses related to aircraft financed with debt are reflected in depreciation and interest expense.

General and Administrative: General and Administrative expenses includes cost associated with administrative and support functions (*e.g.*, Finance, Accounting, Human Resources and Legal among others). Employee benefits for all labor groups are also included in this line. These expenses, in total, are anticipated to grow at an average 7% per year between Fiscal Years 2010 to 2012, driven mostly by inflation, wage restoration and higher benefits cost from increased headcount.

Profit Sharing: The Consolidated Financial Projections include profit-sharing for employees, based on 10% of pre-tax profits up to $10 million and 15% over $10 million, ranging from $7 million to $11 million in Fiscal Years 2010 to 2012.

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[2] In June 2008, the FASB issued EITF 08-3, "*Accounting by Lessees for Maintenance Deposits*", on the accounting for maintenance deposits under an arrangement accounted for as a lease. EITF 08-3 applies to the lessee's accounting for maintenance deposits paid by a lessee under an arrangement accounted for as a lease that are refunded only if the lessee performs specified maintenance activities. EITF 08-3 requires that lessees continually evaluate whether it is probable that an amount on deposit with a lessor will be returned to reimburse the costs of the maintenance activities incurred by the lessee. When an amount on deposit is less than probable of being returned, it shall be recognized as additional expense. When the underlying maintenance is performed, the maintenance costs shall be expensed or capitalized in accordance with the lessee's maintenance accounting policy. EITF 08-3 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008, including interim periods within those fiscal years. Earlier application by an entity that has previously adopted an alternative accounting policy was not permitted. The Debtors recorded maintenance deposits paid, or supplemental monthly payments under aircraft lease agreements, as an expense when paid prior to the adoption of this accounting guidance on April 1, 2009. The financial projections presented in this document include the impact of the Debtors' adoption of this accounting guidance.

Income Taxes: The Reorganized Debtors assume a statutory tax rate of approximately 38% throughout the Projection Period, including both Federal and State income tax. The Reorganized Debtors have assumed, for conservatism, that they will not be able to utilize any of the accumulated federal or state NOLs to offset any of the Reorganized Debtors' anticipated federal and state taxable income during the Projection Period..

<u>Notes to Projected Consolidated Balance Sheets</u>

Capital Structure: The Reorganized Debtors' capital structure is assumed to be as follows:

(a) *New Equity*: On or after the Effective Date, the Consolidated Debtors will receive $108.75 million in cash from Republic Airways Holdings, Inc. in partial consideration for 100% of the common stock of Reorganized Frontier Holdings. The Reorganized Debtors will use this investment amount to repay the DIP Facility Claims, to make other payments required under the Plan and to fund the post-reorganization operations of the Reorganized Debtors. The DIP Facility consists of a $40 million credit facility arranged by Republic Airways Holdings, Inc. The estimated outstanding balance as of the Effective Date is $43.2 million, including accrued interest. For purposes of the Consolidated Financial Projections, no value has been ascribed to the common equity of Reorganized Frontier Holdings. To the extent the Debtors engage in any equity capital transactions, the proceeds would be incremental to any value ultimately ascribed to common equity.

(b) *Other Secured and Unsecured Debt*: Notes payable to various parties that are secured by spare engines, spare parts, aircraft and certain other assets respectively are expected to remain outstanding, in addition to new facilities as agreed with various parties.

<u>Notes to Projected Consolidated Statements of Cash Flows</u>

During the Projection Period, the Reorganized Debtors project their business operations to generate significant cash flow to support debt service and reinvest in the business. During the Projection Period, the Reorganized Debtors business plan provides for approximately $114 million of required capital investment.

Cash Flow From Operating Activities: The Reorganized Debtors project they will generate positive cash flow from operations throughout the Projection Period. Cash flow from operating activities is projected to increase from an estimated $144 million cash outflow in Fiscal Year 2009 to $55 million cash inflow by Fiscal Year 2012, for aggregate cash produced from operating activities during the Projection Period of $113 million. Improved cash flow is a result of, among other things, the projected growth in revenue throughout the Projection Period, coupled with certain labor costs concessions and related costs, concessions from vendors and various other cost reduction initiatives implemented during the Chapter 11 cases.

Cash Flow From Investing Activities: Net cash flow from investing activities is projected to use cash totaling $111 million over the Projection Period. This reflects non-aircraft capital expenditures of between $14 million and $18 million per year in Fiscal Years 2010 to 2012 to sustain existing infrastructure and support growth, and $64 million in aircraft capital expenditures.

Cash Flow From Financing Activities: The Consolidated Financial Projections anticipate the use of $103 million during the Projection Period to meet required principal payments related to Aircraft Debt.