

APPENDIX B

LIQUIDATION ANALYSIS

**Consolidated Hypothetical Liquidation Analysis for
Frontier Airlines Holdings, Inc. and its Subsidiaries
(UNAUDITED)**

**ASSETS & ESTIMATED REALIZATION
(Hypothetical Liquidation Date Assumed to be April 30, 2009)**

| | Net Book Value as of 4/30/09 (in millions) (unless noted) | Forced Liquidation Value | | Orderly Liquidation Value | |
|---------------------------------------------|--------------------------------------------------------------------|--------------------------|----------------------|---------------------------|----------------------|
| | | Estimated Value | Estimated Realized % | Estimated Value | Estimated Realized % |
| | | | | | |
| 1 Cash and cash equivalents | \$ 49.1 | \$ 49.1 | 100.0% | \$ 49.1 | 100.0% |
| 2 Restricted cash and investments | 166.4 | - | 0.0% | - | 0.0% |
| 3 Trade receivable, net | 37.6 | 2.8 | 7.5% | 5.6 | 15.0% |
| 4 Prepaid expenses and other current assets | 18.0 | - | 0.0% | 0.9 | 5.0% |
| 5 Fuel inventory and prepaid fuel | 9.3 | 7.4 | 80.0% | 8.4 | 90.0% |
| 6 Inventories, net | 7.6 | 1.8 | 24.0% | 1.8 | 24.0% |
| 7 Assets held for sale | 0.7 | 2.2 | 299.7% | 2.2 | 299.7% |
| 8 Security and other deposits | 30.8 | - | 0.0% | - | 0.0% |
| 9 Flight equipment and spare parts, net | 580.1 | 432.0 | 74.5% | 453.4 | 78.2% |
| 10 Ground support equipment and tooling | 7.9 | 19.7 | 249.2% | 19.7 | 249.2% |
| 11 Aircraft pre-delivery payments | 7.8 | - | 0.0% | - | 0.0% |
| 12 Deferred loan costs | 5.4 | - | 0.0% | - | 0.0% |
| 13 Deferred expenses and credits | 0.1 | - | 0.0% | - | 0.0% |
| 14 Intangible assets | - | 19.7 | Not Meaningful | 19.7 | Not Meaningful |
| 15 Other property & equipment, net | 19.7 | 1.0 | 5.0% | 2.0 | 10.0% |
| Total Assets/Proceeds (A) | \$ 940.6 | \$ 535.7 | 57.0% | \$ 562.8 | 59.8% |

ASSUMED LIQUIDATION COSTS

| | Estimated Value | % of Estimated Proceeds | Estimated Value | % of Estimated Proceeds |
|----------------------------------------------------------------|-----------------|-------------------------|-----------------|-------------------------|
| 16 Professional Fees (including possible fiduciary fees) | 17.5 | 3.3% | 22.0 | 3.9% |
| 17 Wind-down Fees (including salaries for remaining employees) | 8.0 | 1.5% | 11.3 | 2.0% |
| Total Assumed Liquidation Costs (B) | \$ 25.5 | | \$ 33.3 | |
| Amounts Available to Creditors (A-B) | \$ 510.2 | | \$ 529.5 | |

| | Estimated Allowed Claims | Forced Liquidation Value | | Orderly Liquidation Value | |
|--------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------|----------------------|---------------------------|----------------------|
| | | Estimated Value | Estimated Realized % | Estimated Value | Estimated Realized % |
| Amounts Available to Satisfy Claims | | \$ 510.2 | | \$ 529.5 | |
| 18 Secured Claims | | | | | |
| 18.1 Aircraft related | 380.7 | 380.7 | 100.0% | 380.7 | 100.0% |
| 18.2 Other secured claims | 15.0 | 15.0 | 100.0% | 15.0 | 100.0% |
| Amounts Available to Other Creditors Following Satisfaction of Secured Claims | | \$ 114.5 | | \$ 133.8 | |
| Amounts Available to Satisfy Claims | | \$ 114.5 | | \$ 133.8 | |
| 19 Superpriority Claims | | | | | |
| 19.1 Debtor-in-Possession Financing | 40.5 | 40.5 | 100.0% | 40.5 | 100.0% |
| 19.2 Carve-out for unpaid professional fees | 13.0 | 13.0 | 100.0% | 13.0 | 100.0% |
| Amounts Available to Other Creditors Following Satisfaction of Secured and Superpriority Claims | | \$ 61.0 | | \$ 80.3 | |

**Consolidated Hypothetical Liquidation Analysis for
Frontier Airlines Holdings, Inc. and its Subsidiaries
(UNAUDITED)**

| | Estimated Allowed Claims | Forced Liquidation Value | | Orderly Liquidation Value | |
|----------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------|----------------------|---------------------------|----------------------|
| | | Estimated Value | Estimated Realized % | Estimated Value | Estimated Realized % |
| Amounts Available to Satisfy Remaining Claims | | \$ 61.0 | | \$ 80.3 | |
| 20 Administrative Claims | | | | | |
| 20.1 Unpaid payroll and benefits | 18.5 | 6.0 | 32.2% | 7.8 | 42.3% |
| 20.2 Passenger and other taxes not subject to set-off with Restricted Cash Accounts | 0.7 | 0.2 | 32.2% | 0.3 | 42.3% |
| 20.3 Post-Petition Air Traffic Liability Not Subject to Restricted Cash Offset | 22.0 | 7.1 | 32.2% | 9.3 | 42.3% |
| 20.4 Other unpaid post-petition operating expenses | 50.7 | 16.3 | 32.2% | 21.5 | 42.3% |
| 20.5 Reclamation and administrative claims pursuant to Section 503(b)(9) | 11.0 | 3.5 | 32.2% | 4.7 | 42.3% |
| 20.6 WARN Act claims | 40.6 | 13.1 | 32.2% | 17.2 | 42.3% |
| 21 Administrative Claims (Assumed Contract Rejections) | | | | | |
| 21.1 Aircraft return condition obligations | 19.2 | 6.2 | 32.2% | 8.1 | 42.3% |
| 21.2 Unpaid post-petition use of leased aircraft | 2.7 | 0.9 | 32.2% | 1.1 | 42.3% |
| 21.3 Airport authorities and other real estate | 19.4 | 6.2 | 32.2% | 8.2 | 42.3% |
| 21.4 Aircraft manufacturer contract rejection claims (i.e. Airbus, Bombardier) | 5.0 | 1.6 | 32.2% | 2.1 | 42.3% |
| Amounts Available to Creditors Following Satisfaction of Secured, Superpriority and Administrative Claims | | \$ - | | \$ - | |

| | Estimated Allowed Claims | Forced Liquidation Value | | Orderly Liquidation Value | |
|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------|----------------------|---------------------------|----------------------|
| | | Estimated Value | Estimated Realized % | Estimated Value | Estimated Realized % |
| Amounts Available to Satisfy Other Claims | | \$ - | | \$ - | |
| 22 Priority Claims | | | | | |
| 22.1 Accrued Vacation (earned 180 days prior to filing) | 3.5 | - | Not Meaningful | - | Not Meaningful |
| 22.2 Accrued Health Claims | 0.4 | - | Not Meaningful | - | Not Meaningful |
| 22.3 Property Taxes and Other Taxes Due | 16.5 | - | Not Meaningful | - | Not Meaningful |
| Amounts Available to Unsecured Creditors Following Satisfaction of Secured, Superpriority, Administrative and Priority Claims | | \$ - | | \$ - | |

| | Estimated Allowed Claims | Forced Liquidation Value | | Orderly Liquidation Value | |
|------------------------------------------------------------------|-----------------------------|--------------------------|-----------------------|---------------------------|-----------------------|
| | | Estimated Value | Estimated Realized % | Estimated Value | Estimated Realized % |
| Amounts Available to Satisfy Unsecured Claimants | | \$ - | | \$ - | |
| 23 General Unsecured Claims (Known Claimants) | | | | | |
| 23.1 Convertible Note (including accrued interest) | 93.5 | - | Not Meaningful | - | Not Meaningful |
| 23.2 Republic Contract Rejection | 150.0 | - | Not Meaningful | - | Not Meaningful |
| 23.3 Pre-petition payables and accrued expenses | 25.6 | - | Not Meaningful | - | Not Meaningful |
| 23.4 Pre-petition estimated rejection damage claims | 43.8 | - | Not Meaningful | - | Not Meaningful |
| 24 Additional General Unsecured Claims (Expected in Liquidation) | | | | | |
| 24.1 Aircraft Rejection/Deficiency Claims | 242.7 | - | Not Meaningful | - | Not Meaningful |
| 24.2 Other executory contract rejection claims | 25.0 | - | Not Meaningful | - | Not Meaningful |
| Hypothetical Recovery for Unsecured Creditors | | \$ - | Not Meaningful | \$ - | Not Meaningful |

LIQUIDATION ANALYSIS

ASSUMPTIONS TO ACCOMPANY HYPOTHETICAL LIQUIDATION ANALYSIS

A. Introduction and Reservations

In connection with the Plan and Disclosure Statement, the following hypothetical liquidation analysis (the “**Liquidation Analysis**” or the “**Analysis**”) has been prepared by the Debtors’ management with the assistance of the Debtors’ advisors. Capitalized terms used but not otherwise defined herein have the meanings given to such terms in the Disclosure Statement to which this Appendix is attached.

This Liquidation Analysis indicates the values that might be obtained by classes of Claims upon the disposition of assets, pursuant to liquidation, as an alternative to continued operations. The Liquidation Analysis is based upon the assumptions discussed below and should be read in conjunction with the Plan and the Disclosure Statement.

The Debtors, with the assistance of their financial advisors, have prepared this Liquidation Analysis for the purpose of evaluating whether the Plan meets the so-called “best interests” test under section 1129(a)(7) of the Bankruptcy Code. The Liquidation Analysis has been prepared assuming hypothetically that the Debtors’ Chapter 11 Cases were converted to chapter 7 proceedings under the Bankruptcy Code as of April 30, 2009 (the “**Liquidation Date**”) and their assets were to be liquidated.¹ A chapter 7 trustee (“**Trustee**”) would be appointed to commence the liquidation of all of the Debtors’ assets. To maximize recovery, the liquidation is assumed to occur over a 12- to 18-month period (the “**Wind-Down Period**”), with the majority of the asset sales occurring between months 6 and 12.

The Liquidation Analysis is based on the unaudited book values of the Debtors’ assets and liabilities as of April 30, 2009, unless otherwise stated, and these book values are assumed to be representative of the Debtors’ assets and liabilities as of the Liquidation Date. The Liquidation Analysis does not include recoveries resulting from any potential preference claims, fraudulent conveyance litigation or other avoidance actions.

The Liquidation Analysis represents an estimate of recovery values and percentages based upon hypothetical liquidations whereby assets would be converted into cash. We have provided a range of values for each balance sheet line item set forth in the attached analysis, with the low end of the range assuming a forced liquidation scenario and the high end of the range assuming an orderly liquidation scenario. The determination of the hypothetical proceeds from the liquidation of assets is an uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by Management, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and its Management. ACCORDINGLY, NEITHER THE DEBTORS

¹ The Analysis is based on the unaudited monthly financial statements of the Debtors as of April 30, 2009. The Debtors and their advisors believe that estimates based on the audited financial statements as of March 31, 2009 would not differ materially from those set forth in this Analysis.

NOR ITS ADVISORS MAKE ANY REPRESENTATION OR WARRANTY REGARDING THE ACCURACY OF THE ESTIMATES AND ASSUMPTIONS OR A TRUSTEE'S ABILITY TO ACHIEVE FORECASTED RESULTS. IN THE EVENT THE CHAPTER 11 CASES WERE CONVERTED TO CHAPTER 7, ACTUAL RESULTS COULD VARY MATERIALLY FROM THE ESTIMATES AND PROJECTIONS SET FORTH IN THE LIQUIDATION ANALYSIS.

The Liquidation Analysis indicates the estimated values that might be obtained upon disposition of assets pursuant to a hypothetical chapter 7 liquidation, as an alternative to continued operation of the Debtors' businesses as proposed under the Plan. Accordingly, values discussed herein are different than amounts referred to in the Plan, which illustrates the value of the Debtors' businesses on a going concern basis. The Analysis assumes that all operations of the Debtors would cease immediately upon liquidation, all Debtors would liquidate simultaneously and the Debtors' assets would be disposed of primarily through sale, liquidation and/or termination, as appropriate, including the liquidation of the assets of Lynx Aviation, as opposed to its sale as a going concern.

In preparing the Liquidation Analysis, the Debtors have projected an amount of Allowed Claims based upon their business judgment and their review of the most recently available scheduled Claims and Proofs of Claims associated with pre-petition and post-petition obligations. Additional claims were estimated to include certain post-petition obligations on account of which Claims have not been asserted, but which would be asserted in a hypothetical chapter 7 liquidation. The Debtors estimate that these potential Claims would include unused tickets, employee-related obligations, deficiency claims, certain lease rejection claims and other Allowed Claims. No Order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of Claims at the estimated amounts of Allowed Claims set forth in the Analysis. In addition, in the event litigation were necessary to resolve Claims asserted in a chapter 7 liquidation, the delay could be prolonged and Claims could further increase. The effects of this delay on the value of distributions under the hypothetical liquidation have not been considered. THE ESTIMATE OF THE AMOUNT OF ALLOWED CLAIMS SET FORTH IN THE LIQUIDATION ANALYSIS SHOULD NOT BE RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING, WITHOUT LIMITATION, ANY DETERMINATION OF THE VALUE OF ANY DISTRIBUTION TO BE MADE ON ACCOUNT OF ALLOWED CLAIMS UNDER A PLAN OF REORGANIZATION. THE ACTUAL AMOUNT OF ALLOWED CLAIMS COULD MATERIALLY DIFFER FROM THE AMOUNT OF CLAIMS ESTIMATED IN THE ANALYSIS. THE RECOVERIES WILL ALSO CHANGE BASED ON FURTHER REFINEMENTS OF ALLOWED CLAIMS AS THE DEBTORS' CLAIM OBJECTION AND RECONCILIATION PROCESS CONTINUES. THE DEBTORS EXPRESSLY DISCLAIM ANY OBLIGATION OR INTENTION TO UPDATE THIS LIQUIDATION ANALYSIS AFTER THE DATE HEREOF ON ANY BASIS (INCLUDING NEW OR DIFFERENT INFORMATION RECEIVED AND/OR ERRORS DISCOVERED).

B. Assumptions and Notes

The Liquidation Analysis refers to certain categories of Assets, liquidation costs, and Claims. The following notes describe significant assumptions associated within each category.

Assets

1. **Cash and cash equivalents** includes cash in the Debtors' bank accounts, cash equivalents and short-term investments with original maturity of less than three months, as of the Liquidation Date. Total Cash and cash equivalents on the Debtors' Monthly Operating Report as of April 30, 2009 is \$70.0 million; however, this Liquidation Analysis reclassifies \$20.9 million into Restricted Cash. The reclassified amount represents amounts collected in trust for federal and state employee taxes, passenger taxes and other "trust-fund" fiduciary obligations. The estimated recovery from this category of assets, as adjusted, is 100% in both a forced and orderly liquidation scenario.

2. **Restricted cash and investments** includes restricted use cash and investments, amounting to \$145.5 million as of the Liquidation Date as well as the \$20.9 million reclassified from Cash and cash equivalents. Primary components of restricted use cash include cash collateral held by the Debtors' credit card processors and cash collateral posted for trust taxes. It is assumed that there will be no recovery on the cash collateral held by the credit card processors, as this collateral will be used to refund customers' unused tickets.

Cash collateral accumulated in trust would be used to satisfy any associated liabilities. The remaining balance, if any, would be available for distribution. For purposes of this Analysis, it is assumed that there will not be any surplus of funds available for such distribution.

Following is a detailed breakdown of the restricted use cash and investments amount:

| | |
|-------------------------------------------|------------|
| Reserves for ticket sales | \$137.2 |
| Held in trust | 20.9 |
| Securing letters of credit | 4.9 |
| Other | <u>3.4</u> |
| Total Restricted use cash and investments | \$166.4 |

The estimated recovery from this category of assets is 0% in both a forced and orderly liquidation scenario.

3. **Trade receivables, net** includes amounts owed to the Debtors by various parties, categorized into three main groups: Traffic, airport authorities and other. Traffic receivables primarily include receivables from the Airlines Clearing House ("ACH"), the International Air Transport Association ("IATA") Clearing House, domestic and international travel agency, credit card and cargo sales. It is assumed that a portion of the traffic receivables will be used to offset unused ticket claims by customers and the Debtors' unused ticket liability. Airport authority receivables include amounts owed for end of year audit and/or retail revenue credits. Other receivables include primarily maintenance reserve and affinity card receivables.

As of the Liquidation Date, it is estimated that total Trade receivables, net, amount to \$37.6 million. No recovery is expected with respect to \$19.4 million in Trade receivables, net due to this amount being offset against the Debtors' air traffic liability. The remaining receivables of \$18.2 million are further broken down as follows:

| | |
|-----------------------|-------------|
| Cargo | \$ 1.4 |
| Maintenance Reserves | 0.8 |
| Other | <u>16.0</u> |
| Total Net Receivables | \$18.2 |

Much of the above remaining receivables are potentially eligible for setoff against other amounts owed or contract damage claims. The Debtors estimate that the recovery from this category of assets is 7.5% in a forced liquidation scenario and 15% in an orderly liquidation scenario.

4. **Prepaid expense and other current assets** includes items such as insurance premiums, advance rent payments and selling costs such as global distribution system and credit card fees and other items utilized to represent the difference between cash and accounting treatment of expenses. The Debtors expect that the probability of recovering from this category of assets is low. Some of these prepayments would likely be consumed during the Wind-Down Period and other amounts likely would be offset against other obligations. The Debtors estimate that the recovery from this category of assets is 0.0% in a forced liquidation scenario and 5.0% in an orderly liquidation scenario.

5. **Fuel inventory and prepaid fuel** includes jet fuel held by the Debtors at their primary bases of operation or deposits with fuel vendors for future fuel deliveries. Although marketability for prepaid fuel is similar to fuel inventory, the recovery for prepaid fuel is estimated to be comparatively lower because there could be greater costs incurred in connection with the sale of undelivered inventory. The estimated recovery from this category of assets is estimated at 80% in a forced liquidation scenario and 90% in an orderly liquidation scenario.

6. **Inventories, net** primarily includes expendable inventory items to support the Airbus fleet, uniforms and passenger related convenience items (*e.g.*, headsets for DIRECTV). Estimated recovery for the expendable inventory is based on the American Appraisers appraisal report. The Debtors estimate that there will not be a recovery for other inventory related items due to limited marketability given their customized nature. The total estimated recovery from this category of assets is estimated at 24.0%.

7. **Assets held for sale** includes assets currently subject to consignment agreements. Estimates for recovery are based on the appraisal report of American Appraisers. The total estimated recovery from this category of assets is estimated at 299.7% as the assets have been depreciated below their estimated market value.

8. **Security and other deposits** includes security deposits on leased aircraft, premiums for fuel hedging activity and other miscellaneous deposits. No recovery is assigned to these deposits as it is expected that such deposits will be offset against other obligations owed, including but not limited to aircraft lease rejection damage claims.

9. **Flight equipment and spare parts, net** includes owned aircraft, rotatable spare parts and leasehold improvements on leased aircraft. As of the Liquidation Date, the Debtors owned twenty-nine aircraft, all of which were in regular revenue service, and an inventory of rotatable spare parts. The Debtors' and their advisors' knowledge of the airline industry were relied upon to determine an orderly liquidation value for the aircraft. The estimated recovery for spare parts was based on the American Appraisers appraisal report. No recovery is expected for leasehold improvements as such improvements contractually accrue for the benefit of the lessor. The estimated recovery from this category of assets is estimated at 74.5% in a forced liquidation scenario and 78.2% in an orderly liquidation scenario.

10. **Ground support equipment and tooling** includes equipment to support the Debtors' operations in Denver as well as a number of other airport locations. Such equipment includes vehicles, ground power units, tugs, tow bars and maintenance tooling to support the heavy maintenance operation in Denver. The estimated recovery for the ground support equipment was based on the American Appraisers appraisal report. The total estimated recovery from this category of assets is estimated at 249.2% in both a forced and orderly liquidation scenario, as the assets have been depreciated below their estimated market value.

11. **Aircraft pre-delivery payments** includes payments made to airframe and engine manufacturers to secure positions for the future delivery of aircraft on order with the manufacturer. No recovery is assigned to these payments since it is expected that such deposits will be offset against other obligations owed, including, but not limited to, contract rejection damage claims.

12. **Deferred loan costs** includes up-front payments related to certain financing that is accounted for over the life of such financings. No recovery is assigned to this category as it merely represents accounting treatment of already incurred costs.

13. **Deferred expenses and credits** include credits from Airbus for ongoing training requirements. No recovery is assigned to this category due to the expected offset of remaining credits against other amounts owed.

14. **Intangible assets** include gates and arrival and departure slots, the Debtors' operating certificates, the Q400 Option Aircraft and the Debtors' Early Returns Frequent Flyer Program. These assets are not included on the Debtors' April 30, 2009 general ledger. The estimated recovery for the gates and arrival and departure slots is based on the American Appraisers appraisal report. The Debtors' and their advisors' knowledge of the airline industry were relied upon to determine recovery for the Debtors' operating certificate of Lynx Aviation and the Q400 Option Aircraft. No recovery is assigned to the Frontier operating certificate. It is possible that there is a recovery value for the Early Returns Frequent Flyer Program; however, a valuation has not been performed for the purpose of the Analysis. It is the Debtors' belief that any value ascribed would not materially alter the results of the Analysis.

15. **Other property & equipment, net** includes furniture and fixtures, computer equipment and software, telecom equipment, signage, construction in progress and leasehold improvements.

The estimated recovery from this category of assets is estimated at 5% in a forced liquidation scenario and 10% in an orderly liquidation scenario.

Liquidation Costs

Costs specifically related to the liquidation of individual assets and all other costs associated with the liquidation will be included in Liquidation Costs, except where noted. The Liquidation Costs include the following:

16. **Professional Fees** include estimated expenses associated with the wind-down of the estates (*e.g.*, liquidation and recovery of assets and claims reconciliation). For purposes of this Analysis the Debtors estimate these Claims at 3.3% and 3.9% of asset recovery in a forced liquidation scenario and an orderly liquidation scenario, respectively.

17. **Wind-Down Expenses** includes estimated expenses incurred during the Wind-Down Period, related primarily to employee wages and benefits for personnel employed during the Wind-Down Period, aircraft parking and transportations costs, auction fees and general overhead costs. For purposes of this Analysis, the Debtors estimate these Claims at 1.5% and 2.0% of asset recovery in a forced liquidation scenario and an orderly liquidation scenario, respectively.

Claims

18. **Secured Claims**

18.1 – Aircraft related includes claims secured by certain aircraft and spare parts. The Allowed Claim amount is equal to the principal and accrued interest outstanding as of the Liquidation Date. For purposes of this Analysis, the Allowed Claim is less than the value of the underlying collateral and no unsecured claims will be created from the liquidation of the collateral.

18.2 – Other secured claims includes a \$15.0 million financing facility with West LB secured by spare parts.

19. **DIP Repayment.** In a liquidation scenario, the Debtors' debtor-in-possession lender would have a senior secured and joint and several super-priority claim against each of the Debtors for the outstanding balance of the Debtors' Replacement DIP Facility, subject to an agreed carve-out of \$13 million for unpaid professional fees.

20. **Administrative Claims** includes claims arising during the Chapter 11 case. Significant categories in this class include estimates for post-petition employee wages and benefits, trade payables, unused tickets, accrued aircraft rent and interest, taxes, reclamation claims, claims arising from goods delivered in the 20 days prior to filing and claims arising under Section 1110 agreements. The Debtors' have also included an estimate for potential Administrative Claims related to return conditions on leased aircraft. While the Debtors do not believe there is merit to any claims for the diminution in value for aircraft not subject to post-petition consensual agreements with the Debtors, such claims, if allowed, would be classified as Administrative Expense Claims. In addition, the Debtors have included a claim for WARN Act notice to employees estimated at \$40.6 million.

21. **Administrative Claims (Assumed Contract Rejections)**

The Debtors estimate that \$19.3 million in return condition obligations would be classified as administrative claims pursuant to the Section 1110(a) elections. A portion of this amount may be offset by maintenance reserve amounts currently held by the Lessor; however for purposes of this Analysis this offset is not being reflected in an attempt to capture unknown expenses which may be incurred once an aircraft redelivery process commences.

In addition, various executory contracts have been assumed throughout the Debtors' Chapter 11 cases including real property leases subject to Section 365(d)(4). Also, the Debtors have entered into new contracts that would be terminated in the event of a liquidation. The Debtors have estimated the resulting damage claim that might be asserted in the event such contracts are terminated or rejected.

22. **Priority Claims** includes pre-petition tax authority claims, accrued vacation for employees and accrued health insurance related items.

23. **General Unsecured Claims** includes estimated allowed claims associated with the convertible note, the Republic contract rejection, pre-petition accounts payables and allowed general unsecured claims pursuant to already rejected/restructured executory contracts. In addition, in a liquidation, additional claims for aircraft lease rejection claims and executory contract rejection claims will arise. Significant categories of expected claims are Aircraft Deficiency Claims (if any), maintenance contract rejection claims, information technology contract rejection claims and any employee claim that exceeds the Priority Claim cap per individual. Aircraft lease rejection claims included in General Unsecured Claims are estimated at the stipulated loss values assigned to each respective lease aircraft less an estimate of the current market value of such aircraft as if liquidated pursuant to an aircraft sale.