

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**”) ¹ 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**”). ² 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;
- (b) Current audited financial statements of the Potential Investor or, if the Potential Investor is an entity formed for the purpose of consummating the

¹ The Debtors are Frontier Airlines Holdings, Inc., Frontier Airlines, Inc. and Lynx Aviation, Inc.

² Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Order.

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, 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.

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.