

Cost of Capital Study
2007 Assessment Year

Industry: Air Transport - NonMajor Passenger

| | | | | | | Reference |
|--|-----|---------|-------|------|-------------|--------------------|
| | | | | | | (Appendix C) |
| Equity: | | | | | | Page |
| Yield Capitalization | | | | | | |
| CAPM - ex post - Ibbotson Rm | | | 14.6% | | | 5 |
| CAPM - ex ante | | | 13.6% | | | 6 |
| Dividend Growth Models | | | | | | |
| Value Line, based on Dividends Growth | | | NMF | | | 9 |
| Value Line, based on Earnings Growth | | | NMF | | | 10 |
| Standard & Poors, based on Earnings Growth | | | NMF | | | 11 |
| Yield Equity Component | | | | | | 14.0% |
| Debt: | | | | | | |
| Debt Rate | | | | | | 8.0% |
| Industry Market Capital Structure | | | | | | |
| Equity | 24% | x | 14.0% | = | 3.4% | 3 |
| Operating Leases | 47% | x | 8.0% | = | 3.8% | 3 |
| Debt Before adjustment for Debt Tax Shield | 29% | x | 8.0% | = | 2.3% | 3 |
| Subtotal Financing portion of structure | | | | | <u>6.1%</u> | |
| Marginal Tax Rate | 35% | (1-.35) | X | 6.1% | = | <u>4.0%</u> |
| | | | | | | <u>7.3%</u> |
| WACC=(Ke*Equity%)+(Kd*Debt%)*(1-Marginal Tax Rate) | | | | | | |
| Weighted Average Cost of Capital: | | | | | | <u>7.3%</u> |

Support for Guideline Companies

Air Transport - NonMajor Passenger 2007 Assessment Year

| Industry Overall | | | | | |
|------------------|---------------------------------|--------|-------------|-------------|-------------|
| | Company Name | Ticker | Beta | P/E Ratio | Div'd Yield |
| RF | Airnet Systems* | ANS | 0.60 | NMF | nil |
| MP | AirTran Hldgs Inc* | AAI | 1.35 | 27.3 | nil |
| MP | Alaska Air Group Inc | ALK | 1.35 | 9.6 | nil |
| MP | AMR Corporation Delaware | AMR | 2.60 | 9.1 | nil |
| MP | Continental Airlines Inc | CAL | 2.40 | 8.6 | nil |
| MP | Express Jet | XJT | 1.20 | 4.9 | nil |
| MF | Fedex Corporation | FDX | 1.05 | 16.9 | 0.3% |
| RP | Frontier Airlines Incorporated* | FRNT | 1.85 | nmf | nil |
| MP | JetBlue Airways | JBLU | 1.05 | 41.1 | nil |
| MP | Mesa Air Group* | MESA | 1.55 | 13.7 | nil |
| RP | Midwest Air Group | MEH | 1.35 | 43.8 | nil |
| RP | Republic Airways Holdings, Inc. | RJET | 0.85 | 9.7 | nil |
| MP | Sky West* | SKYW | 1.30 | 10.5 | 0.6% |
| MP | Southwest Airlines Company | LUV | 1.10 | 19.0 | 0.1% |
| MF | United Parcel Svc | UPS | 0.75 | 19.1 | 1.8% |
| Mean | | | 1.36 | 17.9 | 0.7% |

| Air Transport - NonMajor Passenger | | | | | |
|------------------------------------|---------------------------------|--------|-------------|-------------|-------------|
| | Company Name | Ticker | Beta | P/E Ratio | Div'd Yield |
| RP | Frontier Airlines Incorporated* | FRNT | 1.85 | nmf | nil |
| RP | Midwest Air Group | MEH | 1.35 | 43.8 | nil |
| RP | Republic Airways Holdings, Inc. | RJET | 0.85 | 9.7 | nil |
| | | | 1.35 | 26.8 | nil |

Source: ValueLine 2006
NR=Not Reported

Support for Capital Structure
(based on Market Value)
Air Transport - NonMajor Passenger
2007 Assessment Year

| Industry Overall | | | | | | | | | | | | |
|---------------------------------|--------|-------------------|---------------|--------------------|--------------|-----------------------|-------------|----------------------|--------------|------------------------|--------------|---------------------------------|
| Company Name | Ticker | \$Stock\$ Average | Common Shares | Common \$ Stock \$ | % | Preferred \$ Stock \$ | % | Long Term \$ Debt \$ | % | Operating \$ Leases \$ | % | \$ Total Debt \$ Op Leases & Eq |
| Airnet Systems* | ANS | 3.29 | 10,161,000 | 33,446,625 | 71.1% | - | 0.0% | 8,000,000 | 17.0% | 5,591,111 | 11.9% | 47,037,736 |
| AirTran Hldgs Inc* | AAI | 11.49 | 91,000,000 | 1,045,590,000 | 26.7% | - | 0.0% | 576,400,000 | 14.7% | 2,288,181,818 | 58.5% | 3,910,171,818 |
| Alaska Air Group Inc | ALK | 41.19 | 40,022,870 | 1,648,408,606 | 29.5% | - | 0.0% | 945,500,000 | 16.9% | 2,987,272,727 | 53.5% | 5,581,181,333 |
| AMR Corporation Delaware | AMR | 29.53 | 214,415,972 | 6,332,061,013 | 20.7% | - | 0.0% | 12,407,000,000 | 40.6% | 11,818,181,818 | 38.7% | 30,557,242,831 |
| Continental Airlines Inc | CAL | 38.67 | 89,900,947 | 3,476,020,116 | 16.4% | - | 0.0% | 4,735,000,000 | 22.3% | 13,000,000,000 | 61.3% | 21,211,020,116 |
| Express Jet | XJT | 7.75 | 54,161,848 | 419,483,513 | 11.5% | - | 0.0% | 151,800,000 | 4.2% | 3,081,818,182 | 84.4% | 3,653,101,695 |
| Fedex Corporation | FDX | 113.17 | 306,633,491 | 34,701,201,121 | 61.5% | - | 0.0% | 2,090,000,000 | 3.7% | 19,670,588,235 | 34.8% | 56,461,789,356 |
| Frontier Airlines Incorporated* | FRNT | 8.06 | 36,607,455 | 295,117,100 | 14.9% | - | 0.0% | 444,000,000 | 22.5% | 1,235,069,973 | 62.6% | 1,974,187,073 |
| JetBlue Airways | JBLU | 12.94 | 175,712,310 | 2,272,838,730 | 40.6% | - | 0.0% | 2,338,000,000 | 41.7% | 990,909,091 | 17.7% | 5,601,747,821 |
| Mesa Air Group* | MESA | 8.37 | 36,200,769 | 303,060,771 | 10.1% | - | 0.0% | 550,000,000 | 18.3% | 2,158,181,818 | 71.7% | 3,011,242,589 |
| Midwest Air Group | MEH | 9.25 | 18,604,442 | 172,091,089 | 24.7% | - | 0.0% | 43,600,000 | 6.3% | 481,777,778 | 69.1% | 697,468,866 |
| Republic Airways Holdings, Inc. | RJET | 17.09 | 42,431,802 | 724,947,337 | 24.0% | - | 0.0% | 1,487,800,000 | 49.3% | 804,106,667 | 26.7% | 3,016,854,004 |
| Sky West* | SKYW | 25.72 | 63,913,060 | 1,643,950,425 | 27.9% | - | 0.0% | 1,508,500,000 | 25.6% | 2,746,454,545 | 46.6% | 5,898,904,970 |
| Southwest Airlines Company | LUV | 15.69 | 791,833,168 | 12,421,222,962 | 73.9% | - | 0.0% | 1,275,000,000 | 7.6% | 3,118,181,818 | 18.5% | 16,814,404,780 |
| United Parcel Svc | UPS | 75.70 | 1,073,543,539 | 81,263,667,424 | 91.2% | - | 0.0% | 3,113,000,000 | 3.5% | 4,741,176,471 | 5.3% | 89,117,843,894 |
| Mean: | | | | | 36.3% | | 0.0% | | 19.6% | | 44.1% | |
| Weighted Mean: | | | | 146,753,106,830 | 59.3% | | 0.0% | 31,673,600,000 | 12.8% | 69,127,492,053 | 27.9% | 247,554,198,883 |
| Median: | | | | | 26.7% | | 0.0% | | 17.0% | | 46.6% | |

| Air Transport - NonMajor Passenger | | | | | | | | | | | | |
|------------------------------------|--------|-------------------|---------------|--------------------|--------------|-----------------------|-------------|----------------------|--------------|------------------------|--------------|---------------------------|
| Company Name | Ticker | \$Stock\$ Average | Common Shares | Common \$ Stock \$ | % | Preferred \$ Stock \$ | % | Long Term \$ Debt \$ | % | Operating \$ Leases \$ | % | \$ Total \$ Debt & Equity |
| Frontier Airlines Incorporated* | FRNT | 8.06 | 36,607,455 | 295,117,100 | 14.9% | - | 0% | 444,000,000 | 22.5% | 1,235,069,973 | 62.6% | 1,974,187,073 |
| Midwest Air Group | MEH | 9.25 | 18,604,442 | 172,091,089 | 24.7% | - | 0% | 43,600,000 | 6.3% | 481,777,778 | 69.1% | 697,468,866 |
| Republic Airways Holdings, Inc. | RJET | 17.09 | 42,431,802 | 724,947,337 | 24.0% | - | 0% | 1,487,800,000 | 49.3% | 804,106,667 | 26.7% | 3,016,854,004 |
| Mean: | | | | | 21.2% | | 0.0% | | 26.0% | | 52.8% | |
| Weighted Mean: | | | | 1,192,155,525 | 21.0% | | 0.0% | 1,975,400,000 | 34.7% | 2,520,954,418 | 44.3% | 5,688,509,943 |
| Median: | | | | | 24.0% | | 0.0% | | 22.5% | | 62.6% | |
| Estimated Capital Structure | | | | | 24.0% | | 0.0% | | 29.0% | | 47.0% | |

Source: ValueLine

Support for Market Multiples
Air Transport - NonMajor Passenger
2007 Assessment Year

| Industry Overall | | | | | | | | | | | | |
|---------------------------------|----------------|----------------------|--------|------------|--------------|------------|----------|-------------|------------------|--------------|---------------|------------|
| Company Name | Ticker | \$Stock\$ Average | Rev's | Multiple | Cash Flow | Multiple | Earnings | Multiple | Div'ds Decl'd | Multiple | Book Value | Multiple |
| Airnet Systems* | ANS | 3.29 | 19.37 | 0.2 | 2.06 | 1.6 | 0.60 | 5.5 | nil | | 4.57 | 0.7 |
| AirTran Hldgs Inc* | AAI | 11.49 | 21.15 | 0.5 | 0.55 | 20.9 | 0.25 | 46.0 | nil | | 4.10 | 2.8 |
| Alaska Air Group Inc | ALK | 41.19 | 83.75 | 0.5 | 7.50 | 5.5 | 3.90 | 10.6 | nil | | 25.00 | 1.6 |
| AMR Corporation Delaware | AMR | 29.53 | 105.60 | 0.3 | 7.50 | 3.9 | 1.80 | 16.4 | nil | | nmf | nmf |
| Continental Airlines Inc | CAL | 38.67 | 146.55 | 0.3 | 9.05 | 4.3 | 3.20 | 12.1 | nil | | 8.35 | 4.6 |
| Express Jet | XJT | 7.75 | 28.91 | 0.3 | 2.31 | 3.4 | 1.57 | 4.9 | nil | | 3.86 | 2.0 |
| Fedex Corporation | FDX | 113.17 | 105.54 | 1.1 | 11.13 | 10.2 | 5.98 | 18.9 | 0.33 | 342.9 | 37.62 | 3.0 |
| Frontier Airlines Incorporated* | FRNT | 8.06 | 27.17 | 0.3 | 0.42 | 19.2 | (0.39) | nmf | nil | | 6.25 | 1.3 |
| JetBlue Airways | JBLU | 12.94 | 13.30 | 1.0 | 0.80 | 16.2 | (0.02) | nmf | nil | | 6.55 | 2.0 |
| Mesa Air Group* | MESA | 8.37 | 39.36 | 0.2 | 3.50 | 2.4 | 0.62 | 13.5 | nil | | 6.12 | 1.4 |
| Midwest Air Group | MEH | 9.25 | 37.20 | 0.2 | 0.95 | nmf | (0.05) | nmf | nil | | 1.20 | 7.7 |
| Republic Airways Holdings, Inc. | RJET | 17.09 | 21.66 | 0.8 | 3.00 | 5.7 | 1.80 | 9.5 | nil | | 10.16 | 1.7 |
| Sky West* | SKYW | 25.72 | 33.45 | 0.8 | 3.88 | 6.6 | 2.42 | 10.6 | 0.12 | 214.3 | 15.55 | 1.7 |
| Southwest Airlines Company | LUV | 15.69 | 11.60 | 1.4 | 1.40 | 11.2 | 0.75 | 20.9 | 0.02 | 784.3 | 9.25 | 1.7 |
| United Parcel Svc | UPS | 75.70 | 44.45 | 1.7 | 5.55 | 13.6 | 3.85 | 19.7 | 1.52 | 49.8 | 17.45 | 4.3 |
| | Mean: | | | 0.6 | | 8.9 | | 15.7 | | 347.9 | | 2.6 |
| | Median: | | | 0.5 | | 6.2 | | 12.8 | | 278.6 | | 1.8 |

| Air Transport - NonMajor Passenger | | | | | | | | | | | | |
|------------------------------------|------------------|----------------------|-------|------------|--------------|-------------|----------|------------|------------------|------------|---------------|------------|
| Company Name | Ticker | \$Stock\$ Average | Rev' | Multiple | Cash Flow | Multiple | Earnings | Multiple | Div'ds Decl'd | Multiple | Book Value | Multiple |
| Frontier Airlines Incorporated* | FRNT | 8.06 | 27.17 | 0.3 | 0.42 | 19.2 | (0.39) | nmf | nil | nmf | 6.25 | 1.3 |
| Midwest Air Group | MEH | 9.25 | 37.2 | 0.2 | 0.95 | nmf | (0.05) | nmf | nil | nmf | 1.20 | 7.7 |
| Republic Airways Holdings, Inc. | RJET | 17.09 | 21.66 | 0.8 | 3.00 | 5.7 | 1.80 | 9.5 | nil | nmf | 10.16 | 1.7 |
| | Mean: | | | 0.4 | | 12.4 | | 9.5 | | nmf | | 3.6 |
| | Median: | | | 0.3 | | 12.4 | | 9.5 | | nmf | | 1.7 |
| | Estimated | | | 0.4 | | 12.4 | | NMF | | NMF | | 3.0 |

Source: ValueLine Investment Survey, 10-k's and Yahoo Finance for regional companies

Note: Average Stock Price = 4th 1/4 High/Low common stock price averages.

Note: Units per share comparisons

Support for Yield Capitalization Equity Component Capital Asset Pricing Model

Air Transport - NonMajor Passenger

2007 Assessment Year

Ex Post

$$K_e = R_f + B (R_m - R_f)$$

| | |
|----------------------------|---------------------|
| Ke = Cost of Equity | 14.6% |
| Rf = | risk free rate 4.8% |
| Rp = | risk premium 5.6% |
| B = | Beta 1.75 |
| | to page 1 page 8 |

| | |
|---|-------------|
| Rp = Risk Premium | 5.6% |
| to above | |
| Ibbotson SBBI, Market Report Dec 2006, Table 7 page 16 | |
| Ibbotson, SBBI, Large Co. | 10.4% Rm |

| | |
|--|----------------------|
| Rf = Risk Free Rate | 4.8% |
| to above | |
| Ibbotson SBBI, Risk Premia Over Time Report 2006, Table C1 page 5 | |
| Long Term (20 years) US Treasury Bond Yield | 4.9% |
| Value Line Investment Survey, Selected Yields January 5, 2007, page 4941 | |
| US Treasury Securities year end data | |
| 5 year | 4.6% |
| 10 year | 4.7% |
| 30 year | 4.8% |
| 30 year Zero | 4.7% |
| Federal Reserve Statistical Release (http://www.federalreserve.gov/Releases/H15/Current/) | |
| Treasury Constant Maturities | |
| 5 year | 4.6% |
| 10 year | 4.6% |
| 20 year | 4.8% |
| 20 year TIPS | <u>2.3%</u> |
| | 2.5% |
| | Inflation Indication |

Support for Yield Capitalization Equity Component Capital Asset Pricing Model

Air Transport - NonMajor Passenger

2007 Assessment Year

Ex Ante

$$K_e = R_f + B (R_p)$$

| | |
|----------------------------|--------------|
| Ke = Cost of Equity | 13.6% |
| Rm = rate of return | 9.8% |
| Rf = risk free rate | 4.8% |
| Rp = risk premium | 5.0% |
| B = Beta | 1.75 |
| | to page 1 |
| | page 8 |

| | |
|--|-------------|
| Rp = Risk Premium | 5.0% |
| | to above |
| <p>Roger J. Grabowski and David W. King Equity Risk Premium: What Consultants Need to Know about Recent Research - 2005 Update</p> | |
| <p>Dr. Aswath Damodaran http://pages.stern.nyu.edu/~adamodar/</p> | |
| <p>John Graham and Campbell Harvey Expectations of Equity Risk Premium, Volatility and Asymmetry, 2003 (The Gaham and Harvey is the US Corportate officer survey of 2.9-4.7%)</p> | |

| | | | | | | | | | | | |
|--|-------------|--------|------|---------|------|---------|------|--------------|-------------|--|------|
| Rf = Risk Free Rate | 4.8% | | | | | | | | | | |
| | to above | | | | | | | | | | |
| <p>Ibbotson SBBI, Risk Premia Over Time Report 2006, Table C1 page 5</p> <p style="text-align: right;">Long Term (20 years) US Treasury Bond Yield 4.9%</p> | | | | | | | | | | | |
| <p>Value Line Investment Survey, Selected Yields January 5, 2007, page 4941</p> <p style="text-align: right;">US Treasury Securities year end data</p> <table style="width: 100%; margin-left: 200px;"> <tr><td style="width: 50px;">5 year</td><td style="text-align: right;">4.6%</td></tr> <tr><td>10 year</td><td style="text-align: right;">4.7%</td></tr> <tr><td>30 year</td><td style="text-align: right;">4.8%</td></tr> <tr><td>30 year Zero</td><td style="text-align: right;">4.7%</td></tr> </table> | | 5 year | 4.6% | 10 year | 4.7% | 30 year | 4.8% | 30 year Zero | 4.7% | | |
| 5 year | 4.6% | | | | | | | | | | |
| 10 year | 4.7% | | | | | | | | | | |
| 30 year | 4.8% | | | | | | | | | | |
| 30 year Zero | 4.7% | | | | | | | | | | |
| <p>Federal Reserve Statistical Release (http://www.federalreserve.gov/Releases/H15/Current/)</p> <p style="text-align: right;">Treasury Constant Maturities</p> <table style="width: 100%; margin-left: 200px;"> <tr><td style="width: 50px;">5 year</td><td style="text-align: right;">4.6%</td></tr> <tr><td>10 year</td><td style="text-align: right;">4.6%</td></tr> <tr><td>20 year</td><td style="text-align: right;">4.8%</td></tr> <tr><td>20 year TIPS</td><td style="text-align: right;"><u>2.3%</u></td></tr> <tr><td></td><td style="text-align: right;">2.5%</td></tr> </table> <p style="text-align: right;">Inflation Indication</p> | | 5 year | 4.6% | 10 year | 4.6% | 20 year | 4.8% | 20 year TIPS | <u>2.3%</u> | | 2.5% |
| 5 year | 4.6% | | | | | | | | | | |
| 10 year | 4.6% | | | | | | | | | | |
| 20 year | 4.8% | | | | | | | | | | |
| 20 year TIPS | <u>2.3%</u> | | | | | | | | | | |
| | 2.5% | | | | | | | | | | |

To update this spreadsheet, enter the following

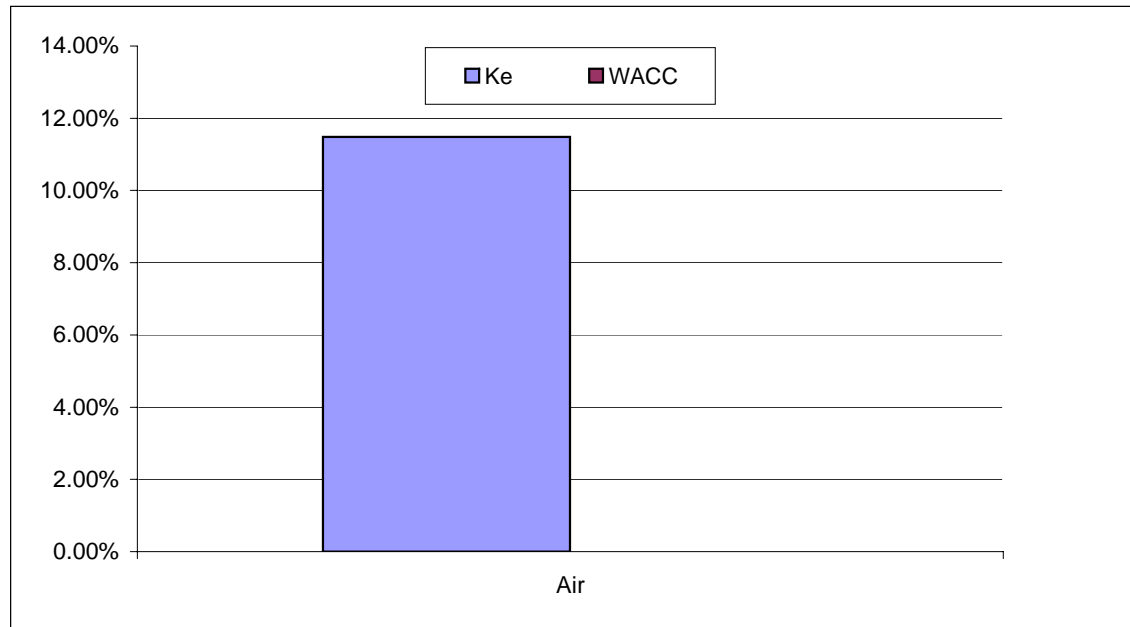
Long Term Treasury bond rate = 4.80%
 Risk Premium to Use for Equity = 5.00%

Do you want to use the marginal tax rate for cost of debt?
 If yes, enter the marginal tax rate to use

Cost of Debt Lookup Table (based on std dev in stock prices)

| | Standard Deviation | Basis Spread | |
|-----|--------------------|--------------|-------|
| | 0 | 0.2 | 0.25% |
| | 0.2 | 0.25 | 0.50% |
| yes | 0.25 | 0.3 | 0.75% |
| 35% | 0.3 | 0.4 | 1.00% |
| | 0.4 | 0.5 | 1.25% |
| | 0.5 | 0.6 | 1.50% |
| | 0.6 | 10 | 2.00% |

| Industry Name | Number of Firms | Beta | Cost of Equity | E/(D+E) | Std Dev in Stock | Cost of Debt | Tax Rate | After-tax Cost of Debt | D/(D+E) | Cost of Capital | WACC unadjusted for debt shield |
|---------------------|-----------------|------|----------------|---------|------------------|--------------|----------|------------------------|---------|-----------------|---------------------------------|
| Air | 56 | 1.38 | 11.48% | 70.34% | 47.08% | 5.95% | 19.40% | 4.80% | 29.66% | 9.50% | Damodaran WACC |
| Air Major Passenger | 7 | 1.75 | 14.00% | 24.00% | 47.08% | 8.00% | 35.00% | 5.20% | 76.00% | 8.24% | 9.44% DOR CAPM WACC |



**Beta Calculation for CAPM
Air Transport - NonMajor Passenger
2007 Assessment Year**

| | | |
|---------------------------------|-------------------|------------------|
| Beta = | | 1.75 |
| Industry Overall | | ValueLine |
| Airnet Systems* | ANS | 0.60 |
| AirTran Hldgs Inc* | AAI | 1.35 |
| Alaska Air Group Inc | ALK | 1.35 |
| AMR Corporation Delaware | AMR | 2.60 |
| Continental Airlines Inc | CAL | 2.40 |
| Express Jet | XJT | 1.20 |
| Fedex Corporation | FDX | 1.05 |
| Frontier Airlines Incorporated* | FRNT | 1.85 |
| JetBlue Airways | JBLU | 1.05 |
| Mesa Air Group* | MESA | 1.55 |
| Midwest Air Group | MEH | 1.35 |
| Republic Airways Holdings, Inc. | RJET | 0.85 |
| Sky West* | SKYW | 1.30 |
| Southwest Airlines Company | LUV | 1.10 |
| United Parcel Svc | UPS | 0.75 |
| | Mean: | 1.36 |
| | Median: | 1.30 |
| | | 1.35 |
| Industry Specific | | ValueLine |
| Frontier Airlines Incorporated* | AAI | 1.35 |
| Midwest Air Group | ALK | 1.35 |
| Republic Airways Holdings, Inc. | AMR | 2.60 |
| | Mean: | 1.77 |
| | Median: | 1.35 |
| | Estimated: | 1.75 |

source: ValueLine, 2007

**Support for Yield Capitalization Equity Component
Air Transport - NonMajor Passenger
2007 Assessment Year**

Dividend Growth Model

(based on Dividends Growth)

$$K_e = D_1 / P_o + G$$

where:

- Ke** = Cost of Equity
- D1** = Expected Dividends
- Po** = Current Price
- G** = Sustainable Growth

| Industry Overall | | | | | | |
|---------------------------------|--------|------------------|-------------------------|------------------------|----------------------|--------------|
| Company Name | Ticker | Stock Price (Po) | Expected Dividends (D1) | Dividend Yield (D1/P0) | Dividends Growth (G) | Ke |
| Airnet Systems* | ANS | 3.29 | nil | | | |
| AirTran Hldgs Inc* | AAI | 11.49 | nil | | | |
| Alaska Air Group Inc | ALK | 41.19 | nil | | | |
| AMR Corporation Delaware | AMR | 29.53 | nil | | | |
| Continental Airlines Inc | CAL | 38.67 | nil | | | |
| Express Jet | XJT | 7.75 | nil | | | |
| Fedex Corporation | FDX | 113.17 | 0.33 | 0.3% | 11.0% | 11.3% |
| Frontier Airlines Incorporated* | FRNT | 8.06 | nil | | | |
| JetBlue Airways | JBLU | 12.94 | nil | | | |
| Mesa Air Group* | MESA | 8.37 | nil | | | |
| Midwest Air Group | MEH | 9.25 | nil | | | |
| Republic Airways Holdings, Inc. | RJET | 17.09 | nil | | | |
| Sky West* | SKYW | 25.72 | 0.12 | 0.5% | 10.0% | 10.5% |
| Southwest Airlines Company | LUV | 15.69 | 0.02 | 0.1% | 6.0% | 6.1% |
| United Parcel Svc | UPS | 75.70 | 1.52 | 2.0% | 9.0% | 11.0% |
| Median: | | | | | | 10.7% |
| Mean: | | | | | | 9.7% |

| Industry Specific - Major Passenger | | | | | | |
|-------------------------------------|--------|------------------|-------------------------|------------------------|----------------------|------------|
| Company Name | Ticker | Stock Price (Po) | Expected Dividends (D1) | Dividend Yield (D1/P0) | Dividends Growth (G) | Ke |
| Frontier Airlines Incorporated* | AAI | 11.49 | nil | | | |
| Midwest Air Group | ALK | 41.19 | nil | | | |
| Republic Airways Holdings, Inc. | AMR | 29.53 | nil | | | |
| Median: | | | | | | nmf |
| Mean: | | | | | | nmf |
| Estimated | | | | | | NMF |

source: ValueLine, 2006, and yahoo finance

Note: Stock Price = 4th 1/4 High / Low average

**Support for Yield Capitalization Equity Component
Air Transport - NonMajor Passenger
2007 Assessment Year**

Dividend Growth Model

(based on Earnings Growth)

$$K_e = D_1 / P_0 + G$$

where:

- Ke** = Cost of Equity
- D1** = Expected Dividends
- Po** = Current Price
- G** = Sustainable Growth

| Industry Overall | | | | | | |
|---------------------------------|--------|------------------|-------------------------|------------------------|---------------------|--------------|
| Company Name | Ticker | Stock Price (Po) | Expected Dividends (D1) | Dividend Yield (D1/P0) | Earnings Growth (G) | Ke |
| Airnet Systems* | ANS | 3.29 | nil | | | NMF |
| AirTran Hldgs Inc* | AAI | 11.49 | nil | | | NMF |
| Alaska Air Group Inc | ALK | 41.19 | nil | | | NMF |
| AMR Corporation Delaware | AMR | 29.53 | nil | | | NMF |
| Continental Airlines Inc | CAL | 38.67 | nil | | | NMF |
| Express Jet | XJT | 7.75 | nil | | | NMF |
| Fedex Corporation | FDX | 113.17 | 0.33 | 0.3% | 12.5% | 12.8% |
| Frontier Airlines Incorporated* | FRNT | 8.06 | nil | | | NMF |
| JetBlue Airways | JBLU | 12.94 | nil | | | NMF |
| Mesa Air Group* | MESA | 8.37 | nil | | | NMF |
| Midwest Air Group | MEH | 9.25 | nil | | | NMF |
| Republic Airways Holdings, Inc. | RJET | 17.09 | nil | | | NMF |
| Sky West* | SKYW | 25.72 | 0.12 | 0.5% | 8.0% | 8.5% |
| Southwest Airlines Company | LUV | 15.69 | 0.02 | 0.1% | 22.0% | 22.1% |
| United Parcel Svc | UPS | 75.70 | 1.52 | 2.0% | 10.0% | 12.0% |
| Median: | | | | | | 12.4% |
| Mean: | | | | | | 13.8% |

| Industry Specific - Major Passenger | | | | | | |
|-------------------------------------|--------|------------------|-------------------------|------------------------|---------------------|------------|
| Company Name | Ticker | Stock Price (Po) | Expected Dividends (D1) | Dividend Yield (D1/P0) | Earnings Growth (G) | Ke |
| Frontier Airlines Incorporated* | AAI | 11.49 | nil | | | NMF |
| Midwest Air Group | ALK | 41.19 | nil | | | NMF |
| Republic Airways Holdings, Inc. | AMR | 29.53 | nil | | | NMF |
| Median: | | | | | | NMF |
| Mean: | | | | | | NMF |
| Estimated | | | | | | NMF |

Source: Standard & Poor's, ValueLine and yahoo finance
Note: Stock Price = 4th ¼ High / Low average

**Support for Yield Capitalization Equity Component
Air Transport - NonMajor Passenger
2007 Assessment Year**

Dividend Growth Model

(based on Earnings Growth)

$$K_e = D_1 / P_o + G$$

where:

- Ke** = Cost of Equity
- D1** = Expected Dividends
- Po** = Current Price
- G** = Sustainable Growth

| Industry Overall | | | | | | |
|---------------------------------|--------|------------------|-------------------------|------------------------|---------------------|--------------|
| Company Name | Ticker | Stock Price (Po) | Expected Dividends (D1) | Dividend Yield (D1/P0) | Earnings Growth (G) | Ke |
| Airnet Systems* | ANS | 3.29 | nil | | NL | -nmf- |
| AirTran Hldgs Inc* | AAI | 11.49 | nil | | 12.0% | -nmf- |
| Alaska Air Group Inc | ALK | 41.19 | nil | | 11.0% | -nmf- |
| AMR Corporation Delaware | AMR | 29.53 | nil | | 6.0% | -nmf- |
| Continental Airlines Inc | CAL | 38.67 | nil | | 6.0% | -nmf- |
| Express Jet | XJT | 7.75 | nil | | 16.0% | -nmf- |
| Fedex Corporation | FDX | 113.17 | 0.33 | 0.3% | 14.0% | 14.3% |
| Frontier Airlines Incorporated* | FRNT | 8.06 | nil | | 15.0% | -nmf- |
| JetBlue Airways | JBLU | 12.94 | nil | | 15.0% | -nmf- |
| Mesa Air Group* | MESA | 8.37 | nil | | 8.0% | -nmf- |
| Midwest Air Group | MEH | 9.25 | nil | | 0.0% | -nmf- |
| Republic Airways Holdings, Inc. | RJET | 17.09 | nil | | 14.0% | -nmf- |
| Sky West* | SKYW | 25.72 | 0.12 | 0.5% | 13.0% | 13.5% |
| Southwest Airlines Company | LUV | 15.69 | 0.02 | 0.1% | 13.0% | 13.1% |
| United Parcel Svc | UPS | 75.70 | 1.52 | 2.0% | 12.0% | 14.0% |
| Median: | | | | | | 13.7% |
| Mean: | | | | | | 13.7% |

| Industry Specific - Major Passenger | | | | | | |
|-------------------------------------|--------|------------------|-------------------------|------------------------|---------------------|--------------|
| Company Name | Ticker | Stock Price (Po) | Expected Dividends (D1) | Dividend Yield (D1/P0) | Earnings Growth (G) | Ke |
| Frontier Airlines Incorporated* | AAI | 11.49 | nil | | 12% | -nmf- |
| Midwest Air Group | ALK | 41.19 | nil | | 11.0% | -nmf- |
| Republic Airways Holdings, Inc. | AMR | 29.53 | nil | | 6.0% | -nmf- |
| Median: | | | | | | -nmf- |
| Mean: | | | | | | -nmf- |
| Estimated | | | | | | NMF |

Source: Standard & Poors 1/2007 Earnings Guide for earnings growth and Yahoo Finance for stock prices

Note: Stock Price = 4th 1/4 High / Low average

Support for Debt Rating and Debt Yield Rate
Air Transport - NonMajor Passenger
 2007 Assessment Year

| Industry Overall | | ---- Ratings ----- | Issuer |
|------------------------------------|---------------|--------------------|----------------|
| Company | Ticker | Mergent's | S&P |
| Airnet Systems* | ANS | NRL | NRL |
| AirTran Hldgs Inc* | AAI | Caa2 | B- |
| Alaska Air Group Inc | ALK | NRL | BB- |
| AMR Corporation Delaware | AMR | NRL | B |
| Continental Airlines Inc | CAL | Baa | B |
| Express Jet | XJT | NRL | NRL |
| Fedex Corporation | FDX | Baa2 | BBB |
| Frontier Airlines Incorporated* | FRNT | NRL | NRL |
| JetBlue Airways | JBLU | Ba3 | B |
| Mesa Air Group* | MESA | NRL | NRL |
| Midwest Air Group | MEH | NRL | NRL |
| Republic Airways Holdings, Inc. | RJET | NRL | NRL |
| Sky West* | SKYW | NRL | NRL |
| Southwest Airlines Company | LUV | Baa1 | A |
| United Parcel Svc | UPS | NRL | AAA |
| Overall Average Debt Rating | | Baa | BB+ |
| Reconciled | | | |

| Air Transport - NonMajor Passenger | | | |
|---|---------------|--------------------------|----------------|
| Company | Ticker | Bond Market Assoc | S&P |
| Frontier Airlines Incorporated* | FRNT | 5.3% | NRL |
| Midwest Air Group | MEH | NRL | NRL |
| Republic Airways Holdings, Inc. | RJET | NRL | NRL |
| Overall Average Debt Rating | | | |
| Reconciled | | 8.0% | |

Standard & Poor's Bond Guide

December 2005 - Page 3 - US Industrial 20 yr bond yield chart

| Rating | AAA | AA | A | BBB | BB |
|----------------|--------------|--------------|--------------|--------------|--------------|
| Year end | 5.30% | 5.50% | 5.70% | 6.50% | 7.80% |
| Average | 5.30% | 5.50% | 5.70% | 6.50% | 7.80% |

Mergent's Bond Record

| | Aaa | Aa | A | Baa | Ba |
|----------------|--------------|--------------|--------------|--------------|--------------|
| October | 5.51% | 5.74% | 5.94% | 6.42% | 7.57% |
| November | 5.33% | 5.57% | 5.76% | 6.20% | 7.22% |
| December | 5.29% | 5.58% | 5.78% | 6.22% | 7.19% |
| Average | 5.38% | 5.63% | 5.83% | 6.28% | 7.33% |

| |
|------------------------|
| DEBT YIELD RATE |
| 8.0% |

NRL=No Rating Listing

Sources:

***Standard & Poor's Bond Guide, January, 2007 and <http://www.standardandpoors.com>

Mergents

**Support for Equity Component of Direct Capitalization Rates
Air Transport - NonMajor Passenger
2007 Assessment Year**

| Industry Overall | | | | |
|---------------------------------|----------------|------------------------------|-----------------------|--------------|
| Company Name | Ticker | \$Stock\$ Average | *Cash Flow | Ratio |
| Airnet Systems* | ANS | 3.29 | 2.10 | 63.8% |
| AirTran Hldgs Inc* | AAI | 11.49 | 1.15 | 10.0% |
| Alaska Air Group Inc | ALK | 41.19 | 8.75 | 21.2% |
| AMR Corporation Delaware | AMR | 29.53 | 10.25 | 34.7% |
| Continental Airlines Inc | CAL | 38.67 | 10.50 | 27.2% |
| Express Jet | XJT | 7.75 | 2.31 | 29.8% |
| Fedex Corporation | FDX | 113.17 | 12.60 | 11.1% |
| Frontier Airlines Incorporated* | FRNT | 8.06 | 0.60 | 7.4% |
| JetBlue Airways | JBLU | 12.94 | 1.60 | 12.4% |
| Mesa Air Group* | MESA | 8.37 | 6.29 | 75.1% |
| Midwest Air Group | MEH | 9.25 | 1.30 | 14.1% |
| Republic Airways Holdings, Inc. | RJET | 17.09 | 3.00 | 17.6% |
| Sky West* | SKYW | 25.72 | 5.04 | 19.6% |
| Southwest Airlines Company | LUV | 15.69 | 1.70 | 10.8% |
| United Parcel Svc | UPS | 75.70 | 6.05 | 8.0% |
| | Mean: | | | 24.2% |
| | Median: | | | 17.6% |

| Air Transport - NonMajor Passenger | | | | |
|---|----------------|------------------------------|-----------------------|--------------|
| Company Name | Ticker | \$Stock\$ Average | *Cash Flow | Ratio |
| Frontier Airlines Incorporated* | FRNT | 8.06 | 0.60 | 7.4% |
| Midwest Air Group | MEH | 9.25 | 1.30 | 14.1% |
| Republic Airways Holdings, Inc. | RJET | 17.09 | 3.00 | 17.6% |
| | Mean: | | | 13.0% |
| | Median: | | | 14.1% |
| Estimated | | | | 13.0% |

sources: ValueLine

Projected Earnings median from Standard and Poors 1/2007 Earnings Guide

Industry: Air Transport - NonMajor Passenger
 Assessment Year: 2007 Assessment Year

| Guideline Companies: | | 1 | | | | | | | | 2 | |
|---------------------------------|--------|----------------------------------|---------------|--------------|--------------|-------------|--------------|-------------|------------------|--------------------------|----------------|
| Name | Ticker | Stock Price (4th 1/4 average) | Oct. '06 High | Oct. '06 Low | Nov '06 High | Nov '06 Low | Dec '06 High | Dec '06 Low | Common Shares | Preferred \$ Stock \$ | LTD + OP Lease |
| Airnet Systems* | ANS | 3.29 | 3.50 | 3.30 | 3.92 | 3.02 | 3.10 | 2.91 | 10,161,000 | - | 13,591,111 |
| AirTran Hldgs Inc* | AAI | 11.49 | 11.39 | 9.82 | 13.77 | 9.51 | 12.90 | 11.55 | 91,000,000 | - | 2,864,581,818 |
| Alaska Air Group Inc | ALK | 41.19 | 45.85 | 38.02 | 44.45 | 38.00 | 43.30 | 37.5 | 40,022,870 | - | 3,932,772,727 |
| AMR Corporation Delaware | AMR | 29.53 | 29.20 | 23.42 | 34.40 | 26.80 | 34.14 | 29.23 | 214,415,972 | - | 24,225,181,818 |
| Continental Airlines Inc | CAL | 38.67 | 38.30 | 28.56 | 45.41 | 33.87 | 46.29 | 39.56 | 89,900,947 | - | 17,735,000,000 |
| Express Jet | XJT | 7.75 | 8.19 | 6.36 | 8.35 | 6.85 | 8.97 | 7.75 | 54,161,848 | - | 3,233,618,182 |
| Fedex Corporation | FDX | 113.17 | 117.00 | 107.37 | 119.21 | 111.00 | 117.74 | 106.69 | 306,633,491 | - | 21,760,588,235 |
| Frontier Airlines Incorporated* | FRNT | 8.06 | 9.08 | 7.42 | 8.83 | 7.83 | 8.34 | 6.87 | 36,607,455 | - | 1,679,069,973 |
| JetBlue Airways | JBLU | 12.94 | 12.95 | 9.15 | 15.60 | 11.86 | 14.75 | 13.30 | 175,712,310 | - | 3,328,909,091 |
| Mesa Air Group* | MESA | 8.37 | 9.07 | 7.57 | 9.24 | 8.13 | 8.81 | 7.41 | 36,200,769 | - | 2,708,181,818 |
| Midwest Air Group | MEH | 9.25 | 9.90 | 7.73 | 9.85 | 7.67 | 12.15 | 8.20 | 18,604,442 | - | 525,377,778 |
| Republic Airways Holdings, Inc. | RJET | 17.09 | 18.27 | 15.30 | 18.49 | 16.51 | 17.68 | 16.26 | 42,431,802 | - | 2,291,906,667 |
| Sky West* | SKYW | 25.72 | 27.00 | 23.98 | 28.07 | 24.44 | 26.22 | 24.62 | 63,913,060 | - | 4,254,954,545 |
| Southwest Airlines Company | LUV | 15.69 | 17.03 | 14.94 | 16.33 | 14.61 | 16.03 | 15.18 | 791,833,168 | - | 4,393,181,818 |
| United Parcel Svc | UPS | 75.70 | 76.95 | 71.92 | 79.72 | 73.20 | 78.77 | 73.62 | 1,073,543,539 | - | 7,854,176,471 |

(instructions: any data entered on this page will flow to the applicable worksheets)

| | 3 | 4 | 5 | 6 | 7 | 8 | 12 | 17 | 18 | | | | | Ref for |
|-------------------------|--|-----------------------|------------------------|-----------------------|------------------|------------------------|-----------------|------|--------------|----------------|--------------------------|---------------|--------------|---------------------|
| Long Term \$ Debt \$ | operating leases leases pmt/op lease rate | Revenues Per Share | Cash Flow Per Share | Earnings Per Share | Projected EPS | Dividends Per Share | BV per share | Beta | P/E Ratio | Div'd Yield | S & P Earnings Growth | Pref Stock | Com Stock | Mkt Debt 10-K pg |
| 8,000,000 | 5,591,111 | 19.37 | 2.06 | 0.60 | n/a | nil | 4.57 | 0.60 | NMF | nil | NL | 0% | | |
| 576,400,000 | 2,288,181,818 | 21.15 | 0.55 | 0.25 | 0.80 | nil | 4.10 | 1.35 | 27.3 | nil | 12% | 0% | | |
| 945,500,000 | 2,987,272,727 | 83.75 | 7.50 | 3.90 | 4.70 | nil | 25.00 | 1.35 | 9.6 | nil | 11% | 0% | | |
| 12,407,000,000 | 11,818,181,818 | 105.60 | 7.50 | 1.80 | 4.45 | nil | nmf | 2.60 | 9.1 | nil | 6% | 0% | | |
| 4,735,000,000 | 13,000,000,000 | 146.55 | 9.05 | 3.20 | 5.75 | nil | 8.35 | 2.40 | 8.6 | nil | 6% | 0% | | |
| 151,800,000 | 3,081,818,182 | 28.91 | 2.31 | 1.57 | 1.26 | nil | 3.86 | 1.20 | 4.9 | nil | 16% | 0% | | |
| 2,090,000,000 | 19,670,588,235 | 105.54 | 11.13 | 5.98 | 6.85 | 0.33 | 37.62 | 1.05 | 16.9 | 0.3% | 14% | 0% | | |
| 444,000,000 | 1,235,069,973 | 27.17 | 0.42 | (0.39) | n/a | nil | 6.25 | 1.85 | nmf | nil | 15% | 0% | | |
| 2,338,000,000 | 990,909,091 | 13.30 | 0.80 | (0.02) | 0.45 | nil | 6.55 | 1.05 | 41.1 | nil | 15% | 0% | | |
| 550,000,000 | 2,158,181,818 | 39.36 | 3.50 | 0.62 | 1.26 | nil | 6.12 | 1.55 | 13.7 | nil | 8% | 0% | | |
| 43,600,000 | 481,777,778 | 37.20 | 0.95 | (0.05) | 0.35 | nil | 1.20 | 1.35 | 43.8 | nil | 0% | 0% | | |
| 1,487,800,000 | 804,106,667 | 21.66 | 3.00 | 1.80 | 2.07 | nil | 10.16 | 0.85 | 9.7 | nil | 14% | 0% | | |
| 1,508,500,000 | 2,746,454,545 | 33.45 | 3.88 | 2.42 | 2.72 | 0.12 | 15.55 | 1.30 | 10.5 | 0.6% | 13% | 0% | | |
| 1,275,000,000 | 3,118,181,818 | 11.60 | 1.40 | 0.75 | 1.00 | 0.02 | 9.25 | 1.10 | 19 | 0.1% | 13% | 0% | | |
| 3,113,000,000 | 4,741,176,471 | 44.45 | 5.55 | 3.85 | 4.25 | 1.52 | 17.45 | 0.75 | 19.1 | 1.8% | 12% | 0% | | |