

Cost of Capital Study
2008 Assessment Year

Industry: Air Transport - NonMajor Passenger

						Reference
						(Appendix C)
Equity:						
Yield Capitalization						Page
CAPM - ex post - Ibbotson Rm			11.8%			5
CAPM - ex ante			11.5%			6
Dividend Growth Models						
Value Line, based on Dividends Growth			NMF			8
Value Line, based on Earnings Growth			NMF			9
Standard & Poors, based on Earnings Growth			NMF			10
Yield Equity Component					11.7%	
Debt:						
Debt Rate					8.2%	11
Industry Market Capital Structure						
Equity	11%	x	11.7%	=		1.3%
Operating Leases	65%	x	11.7%	=	7.6%	
Debt Before adjustment for Debt Tax Shield	24%	x	8.2%	=	2.0%	
Subtotal Financing portion of structure					<u>9.6%</u>	
Marginal Tax Rate	38%	(1-.38)	X	9.6%	=	<u>5.9%</u>
						<u>7.2%</u>
WACC=(Ke*Equity%)+(Kd*Debt%)*(1-Marginal Tax Rate)						
Weighted Average Cost of Capital:					7.2%	

Support for Guideline Companies

Air Transport - NonMajor Passenger 2008 Assessment Year

Industry Overall					
	Company Name	Ticker	Beta	P/E Ratio	Div'd Yield
RF	Airnet Systems*	ANS	0.75	3.4	NIL
MP	AirTran Hldgs Inc*	AAI	1.45	42.1	NIL
MP	Alaska Air Group Inc	ALK	1.30	16.2	NIL
MP	AMR Corporation Delaware	AMR	2.30	10.7	NIL
MP	Continental Airlines Inc	CAL	2.05	8.8	NIL
MP	Delta Air Lines	DAL	NMF	20.7	NIL
RP	Express Jet	XJT	1.70	NMF	NIL
MF	FedEx Corporation	FDX	1.00	14.4	0.4%
RP	Frontier Airlines Incorporated*	FRNT	1.55	NMF	NIL
MP	JetBlue Airways	JBLU	1.05	67.9	NIL
RP	Mesa Air Group*	MESA	1.20	NMF	NIL
RP	Republic Airways Holdings, Inc.	RJET	0.80	10.5	NIL
MP	Sky West*	SKYW	1.40	9.5	0.5%
MP	Southwest Airlines Company	LUV	0.90	20.9	0.2%
MP	United Airlines, Inc.	UAUA	NMF	18.0	NIL
MF	United Parcel Svc	UPS	0.80	16.8	2.5%
Mean			1.30	20.0	0.9%

Air Transport - NonMajor Passenger					
	Company Name	Ticker	Beta	P/E Ratio	Div'd Yield
RP	Express Jet	XJT	1.7	NMF	NIL
RP	Frontier Airlines Incorporated*	FRNT	1.55	NMF	NIL
RP	Mesa Air Group*	MESA	1.2	NMF	NIL
RP	Republic Airways Holdings, Inc.	RJET	0.8	10.5	NIL
			1.31	10.5	NIL

Source: ValueLine

NR=Not Reported

Support for Capital Structure
(based on Market Value)
Air Transport - NonMajor Passenger
2008 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	2.07	10,173,000	21,058,110	61.8%	-	0.0%	8,000,000	23.5%	5,000,000	14.7%	34,068,110
AirTran Hldgs Inc*	AAI	9.01	91,886,000	827,433,430	23.6%	-	0.0%	958,200,000	27.3%	1,721,229,412	49.1%	3,506,862,842
Alaska Air Group Inc	ALK	24.94	38,050,680	948,857,124	27.5%	-	0.0%	1,124,600,000	32.6%	1,378,771,263	39.9%	3,452,228,387
AMR Corporation Delaware	AMR	21.21	249,410,640	5,289,999,674	28.6%	-	0.0%	10,093,000,000	54.5%	3,129,144,579	16.9%	18,512,144,253
Continental Airlines Inc	CAL	30.01	98,208,888	2,947,085,047	18.7%	-	0.0%	4,366,000,000	27.6%	8,483,228,577	53.7%	15,796,313,625
Delta Air Lines	DAL	18.37	287,479,986	5,280,049,076	31.6%	-	0.0%	7,986,000,000	47.8%	3,439,206,957	20.6%	16,705,256,034
Express Jet	XJT	2.89	54,730,575	158,353,797	5.2%	-	0.0%	10,400,000	0.3%	2,899,166,667	94.5%	3,067,920,464
FedEx Corporation	FDX	99.28	309,464,551	30,723,124,849	89.7%	-	0.0%	2,007,000,000	5.9%	1,539,918,574	4.5%	34,270,043,423
Frontier Airlines Incorporated*	FRNT	6.27	36,641,744	229,804,804	8.6%	-	0.0%	540,200,000	20.2%	1,906,441,302	71.2%	2,676,446,106
JetBlue Airways	JBLU	8.23	181,593,440	1,493,908,700	26.4%	-	0.0%	2,588,000,000	45.8%	1,569,175,640	27.8%	5,651,084,339
Mesa Air Group*	MESA	4.25	27,550,249	116,950,807	5.3%	-	0.0%	553,600,000	25.0%	1,545,141,298	69.7%	2,215,692,105
Republic Airways Holdings, Inc.	RJET	20.32	38,174,187	775,572,233	20.9%	-	0.0%	1,682,900,000	45.4%	1,247,445,107	33.7%	3,705,917,339
Sky West*	SKYW	26.54	61,177,688	1,623,859,765	25.5%	-	0.0%	1,768,700,000	27.8%	2,965,595,916	46.6%	6,358,155,681
Southwest Airlines Company	LUV	13.84	735,665,898	10,177,937,699	71.5%	-	0.0%	2,050,000,000	14.4%	2,007,638,248	14.1%	14,235,575,947
United Airlines, Inc.	UALA	43.13	116,035,332	5,004,410,477	27.3%	-	0.0%	8,156,000,000	44.5%	5,168,102,443	28.2%	18,328,512,920
United Parcel Svc	UPS	73.82	1,050,841,981	77,574,906,441	91.4%	-	0.0%	3,287,000,000	3.9%	4,005,817,608	4.7%	84,867,724,048
Mean:				143,193,312,033	35.2%	-	0.0%	47,179,600,000	27.9%	43,011,023,590	36.9%	233,383,935,623
Weighted Mean:					61.4%	-	0.0%		20.2%		18.4%	
Median:					26.9%	-	0.0%		27.5%		30.9%	

Air Transport - NonMajor Passenger												
Company Name	Ticker	\$Stock\$ Average	Common Shares	Common \$ Stock \$	%	Preferred \$ Stock \$	%	Long Term \$ Debt \$	%	Operating \$ Leases \$	%	\$ Total \$ Debt & Equity
Express Jet	XJT	2.89	54,730,575	158,353,797	5.2%	-	0%	10,400,000	0.3%	2,899,166,667	94.5%	3,067,920,464
Frontier Airlines Incorporated*	FRNT	6.27	36,641,744	229,804,804	8.6%	-	0%	540,200,000	20.2%	1,906,441,302	71.2%	2,676,446,106
Mesa Air Group*	MESA	4.25	27,550,249	116,950,807	5.3%	-	0%	553,600,000	25.0%	1,545,141,298	69.7%	2,215,692,105
Republic Airways Holdings, Inc.	RJET	20.32	38,174,187	775,572,233	20.9%	-	0%	1,682,900,000	45.4%	1,247,445,107	33.7%	3,705,917,339
Mean:				1,280,681,641	10.0%	-	0.0%	2,787,100,000	23.9%	7,598,194,373	67.3%	11,665,976,014
Weighted Mean:					6.9%	-	0.0%		22.6%		70.5%	
Median:					11.0%	-	0.0%		24.0%		65.0%	
Estimated Capital Structure												

Source: ValueLine

Support for Market Multiples
Air Transport - NonMajor Passenger
2008 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	2.07	17.00	0.1	(0.36)	NMF	(1.31)	NMF	NIL	NMF	3.35	0.6
AirTran Hldgs Inc*	AAI	9.01	25.14	0.4	1.12	8.0	0.58	15.5	NIL	NMF	4.86	1.9
Alaska Air Group Inc	ALK	24.94	92.14	0.3	7.15	3.5	2.34	10.7	NIL	NMF	26.91	0.9
AMR Corporation Delaware	AMR	21.21	91.96	0.2	6.39	3.3	1.38	15.4	NIL	NMF	10.65	2.0
Continental Airlines Inc	CAL	30.01	144.93	0.2	10.10	3.0	4.81	6.2	NIL	NMF	15.80	1.9
Delta Air Lines	DAL	18.37	66.63	0.3	6.05	3.0	1.06	17.3	NIL	NMF	35.18	0.5
Express Jet	XJT	2.89	31.01	0.1	2.18	1.3	(1.02)	NMF	NIL	NMF	5.62	0.5
FedEx Corporation	FDX	99.28	114.33	0.9	12.39	8.0	6.67	14.9	0.37	268.3	41.09	2.4
Frontier Airlines Incorporated*	FRNT	6.27	31.97	0.2	0.43	14.6	(0.56)	NMF	NIL	NMF	5.72	1.1
JetBlue Airways	JBLU	8.23	15.65	0.5	1.07	7.7	0.10	82.3	NIL	NMF	5.71	1.4
Mesa Air Group*	MESA	4.25	46.05	0.1	(1.05)	NMF	(2.31)	NMF	NIL	NMF	5.05	0.8
Republic Airways Holdings, Inc.	RJET	20.32	26.76	0.8	4.02	5.1	2.02	10.1	NIL	NMF	11.91	1.7
Sky West*	SKYW	26.54	48.70	0.5	5.25	5.1	2.49	10.7	0.12	221.2	18.42	1.4
Southwest Airlines Company	LUV	13.84	13.42	1.0	1.40	9.9	0.61	22.7	0.02	691.8	9.45	1.5
United Airlines, Inc.	UAUA	43.13	171.80	0.3	11.35	3.8	2.15	20.1	NIL	NMF	21.60	2.0
United Parcel Svc	UPS	73.82	46.23	1.6	5.80	12.7	4.15	17.8	1.64	45.0	15.65	4.7
	Mean:			0.5		6.4		20.3		306.6		1.6
	Median:			0.3		5.1		15.4		244.8		1.5

Air Transport - NonMajor Passenger												
Company Name	Ticker	\$Stock\$ Average	Rev'	Multiple	Cash Flow	Multiple	Earnings	Multiple	Div'ds Decl'd	Multiple	Book Value	Multiple
Express Jet	XJT	2.89	31.01	0.1	2.18	1.3	(1.02)	NMF	NIL	NMF	5.62	0.5
Frontier Airlines Incorporated*	FRNT	6.27	31.97	0.2	0.43	14.6	(0.56)	NMF	NIL	NMF	5.72	1.1
Mesa Air Group*	MESA	4.25	46.05	0.1	(1.05)	NMF	(2.31)	NMF	NIL	NMF	5.05	0.8
Republic Airways Holdings, Inc.	RJET	20.32	26.76	0.8	4.02	5.1	2.02	10.1	NIL	NMF	11.91	1.7
	Mean:			0.3		7.0		NMF		NMF		1.0
	Weighted Mean:	34	136	0.2	5.6	6.5		NMF		NMF	28.3	1.2
	Median:			0.1		5.1		NMF		NMF		1.0
	Estimated			0.2		6.5		NMF		NMF		1.2

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

$$\text{Ke} = \text{Rf} + \text{B} (\text{Rm} - \text{Rf})$$

Ke = Cost of Equity	11.8%
Rf = risk free rate	4.5%
Rp = risk premium	5.2%
B = Beta	1.40
	to page 1
	page 8

Rp = Risk Premium	5.2%
	to above
Ibbotson SBBI, Market Report Dec 2007, Table 7 page 18	
Ibbotson, SBBI, Large Co.	10.4% Rm
Ibbotson SBBI, Risk Premia Over Time Report 2008, page 4	
	5.2% Historical Rf

Rf = Risk Free Rate	4.5%
	to above
Ibbotson SBBI, Risk Premia Over Time Report 2008, Table C1 page 5	
Long Term (20 years) US Treasury Bond Yield	4.5%
Value Line Investment Survey, Selected Yields January 4, 2008, page 4353	
US Treasury Securities year end data	
5 year	3.70%
10 year	4.28%
30 year	4.67%
30 year Zero	4.70%
Federal Reserve Statistical Release (http://www.federalreserve.gov/Releases/H15/Current/)	
Treasury Constant Maturities	
5 year	3.45%
10 year	4.04%
20 year	4.50%
20 year TIPS	<u>2.00%</u>
	2.50% Inflation Indication

**Support for Yield Capitalization Equity Component
Capital Asset Pricing Model**

Air Transport - NonMajor Passenger

2007 Assessment Year

Ex Ante

Ke = Rf + B (Rp)

Ke = Cost of Equity			11.5%
			to page 1
Rm =	rate of return	9.5%	
Rf =	risk free rate	4.5%	
Rp =	risk premium	5.0%	
B =	Beta	1.40	page 8

Rp = Risk Premium			5.0%
			to above
Shannon Pratt and Roger Grabowski		3.5 - 6%	
Cost of Capital, Applications and Examples, Third Edition, 2008, Page 113		(est. 5%)	
Dr. Aswath Damodaran		4.37%	
http://pages.stern.nyu.edu/~adamodar/ 2007 Implied Premium			
John Graham and Campbell Harvey		3.21%	November 2006
The Equity Risk Premium in January 2007:		3.47%	10 year average
Evidence from the Global CEO Outlook Survey		2.39 - 4.65%	10 year average range

Rf = Risk Free Rate			4.5%
			to above
Ibbotson SBBI, Risk Premia Over Time Report 2008, Table C1 page 5			
	Long Term (20 years) US Treasury Bond Yield	4.5%	
Value Line Investment Survey, Selected Yields January 4, 2008, page 4353			
	US Treasury Securities year end data		
	5 year	3.70%	
	10 year	4.28%	
	30 year	4.67%	
	30 year Zero	4.70%	
Federal Reserve Statistical Release (http://www.federalreserve.gov/Releases/H15/Current/)			
	Treasury Constant Maturities		
	5 year	3.45%	
	10 year	4.04%	
	20 year	4.50%	
	20 year TIPS	<u>2.00%</u>	
		2.50%	Inflation Indication

**Beta Calculation for CAPM
Air Transport - NonMajor Passenger
2008 Assessment Year**

Beta =		1.40
Industry Overall		ValueLine
Airnet Systems*	ANS	0.75
AirTran Hldgs Inc*	AAI	1.45
Alaska Air Group Inc	ALK	1.30
AMR Corporation Delaware	AMR	2.30
Continental Airlines Inc	CAL	2.05
Delta Air Lines	DAL	NMF
Express Jet	XJT	1.70
FedEx Corporation	FDX	1.00
Frontier Airlines Incorporated*	FRNT	1.55
JetBlue Airways	JBLU	1.05
Mesa Air Group*	MESA	1.20
Republic Airways Holdings, Inc.	RJET	0.80
Sky West*	SKYW	1.40
Southwest Airlines Company	LUV	0.90
United Airlines, Inc.	UAUA	NMF
United Parcel Svc	UPS	0.80
	Mean:	1.30
	Median:	1.25
Industry Specific		ValueLine
Express Jet	XJT	1.70
Frontier Airlines Incorporated*	FRNT	1.55
Mesa Air Group*	MESA	1.20
Republic Airways Holdings, Inc.	RJET	0.80
	Mean:	1.31
	Median:	1.38
	Min:	0.80
	Max:	1.70
	Estimated:	1.40

source: ValueLine, 2007

**Support for Yield Capitalization Equity Component
Air Transport - NonMajor Passenger
2008 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	2.07	NIL			NMF
AirTran Hldgs Inc*	AAI	9.01	NIL			NMF
Alaska Air Group Inc	ALK	24.94	NIL			NMF
AMR Corporation Delaware	AMR	21.21	NIL			NMF
Continental Airlines Inc	CAL	30.01	NIL			NMF
Delta Air Lines	DAL	18.37	NIL			NMF
Express Jet	XJT	2.89	NIL			NMF
FedEx Corporation	FDX	99.28	0.37	0.4%	9.5%	9.9%
Frontier Airlines Incorporated*	FRNT	6.27	NIL			NMF
JetBlue Airways	JBLU	8.23	NIL			NMF
Mesa Air Group*	MESA	4.25	NIL			NMF
Republic Airways Holdings, Inc.	RJET	20.32	NIL			NMF
Sky West*	SKYW	26.54	0.12	0.5%	10.5%	11.0%
Southwest Airlines Company	LUV	13.84	0.02	0.1%	6.0%	6.1%
United Airlines, Inc.	UAUA	43.13	NIL			NMF
United Parcel Svc	UPS	73.82	1.64	2.2%	9.0%	11.2%
Median:						10.4%
Mean:						9.5%

Industry Specific - Major Passenger						
Company Name	Ticker	Stock Price (Po)	Expected Dividends (D1)	Dividend Yield (D1/P0)	Dividends Growth (G)	Ke
Express Jet	XJT	2.89	NIL			NMF
Frontier Airlines Incorporated*	FRNT	6.27	NIL			NMF
Mesa Air Group*	MESA	4.25	NIL			NMF
Republic Airways Holdings, Inc.	RJET	20.32	NIL			NMF
Median:						NMF
Mean:						NMF
Estimated						NMF

source: ValueLine, and yahoo finance

Note: Stock Price = 4th ¼ High / Low average

**Support for Yield Capitalization Equity Component
Air Transport - NonMajor Passenger
2008 Assessment Year**

Dividend Growth Model

(based on Earnings Growth)

$$K_e = D1 / P_0 + G$$

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	2.07	NIL			NMF
AirTran Hldgs Inc*	AAI	9.01	NIL			NMF
Alaska Air Group Inc	ALK	24.94	NIL			NMF
AMR Corporation Delaware	AMR	21.21	NIL			NMF
Continental Airlines Inc	CAL	30.01	NIL			NMF
Delta Air Lines	DAL	18.37	NIL			NMF
Express Jet	XJT	2.89	NIL			NMF
FedEx Corporation	FDX	99.28	0.37	0.4%	9.5%	9.9%
Frontier Airlines Incorporated*	FRNT	6.27	NIL			NMF
JetBlue Airways	JBLU	8.23	NIL			NMF
Mesa Air Group*	MESA	4.25	NIL			NMF
Republic Airways Holdings, Inc.	RJET	20.32	NIL			NMF
Sky West*	SKYW	26.54	0.12	0.5%	12.5%	13.0%
Southwest Airlines Company	LUV	13.84	0.02	0.1%	18.0%	18.1%
United Airlines, Inc.	UAUA	43.13	NIL			NMF
United Parcel Svc	UPS	73.82	1.64	2.2%	10.0%	12.2%
Median:						12.6%
Mean:						13.3%

Industry Specific - Major Passenger						
Company Name	Ticker	Stock Price (Po)	Expected Dividends (D1)	Dividend Yield (D1/P0)	Earnings Growth (G)	Ke
Express Jet	XJT	2.89	NIL			NMF
Frontier Airlines Incorporated*	FRNT	6.27	NIL			NMF
Mesa Air Group*	MESA	4.25	NIL			NMF
Republic Airways Holdings, Inc.	RJET	20.32	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
2008 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	2.07	NIL		NL	NMF
AirTran Hldgs Inc*	AAI	9.01	NIL		12.0%	NMF
Alaska Air Group Inc	ALK	24.94	NIL		11.0%	NMF
AMR Corporation Delaware	AMR	21.21	NIL		6.0%	NMF
Continental Airlines Inc	CAL	30.01	NIL		6.0%	NMF
Delta Air Lines	DAL	18.37	NIL		23.0%	NMF
Express Jet	XJT	2.89	NIL		16.0%	NMF
FedEx Corporation	FDX	99.28	0.37	0.4%	14.0%	14.4%
Frontier Airlines Incorporated*	FRNT	6.27	NIL		15.0%	NMF
JetBlue Airways	JBLU	8.23	NIL		15.0%	NMF
Mesa Air Group*	MESA	4.25	NIL		8.0%	NMF
Republic Airways Holdings, Inc.	RJET	20.32	NIL		14.0%	NMF
Sky West*	SKYW	26.54	0.12	0.5%	13.0%	13.5%
Southwest Airlines Company	LUV	13.84	0.02	0.1%	13.0%	13.1%
United Airlines, Inc.	UAUA	43.13	NIL		NL	NMF
United Parcel Svc	UPS	73.82	1.64	2.2%	12.0%	14.2%
Median:						13.8%
Mean:						13.8%

Industry Specific - Major Passenger						
Company Name	Ticker	Stock Price (Po)	Expected Dividends (D1)	Dividend Yield (D1/P0)	Earnings Growth (G)	Ke
Express Jet	XJT	2.893333	NIL		16%	NMF
Frontier Airlines Incorporated*	FRNT	6.271667	NIL		15%	NMF
Mesa Air Group*	MESA	4.245	NIL		8%	NMF
Republic Airways Holdings, Inc.	RJET	20.32	NIL		14.0%	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
2008 Assessment Year

Industry Overall		---- Ratings -----	Issuer
Company	Ticker	Mergent's	S&P
Airnet Systems*	ANS	NRL	NRL
AirTran Hldgs Inc*	AAI	NRL	B-
Alaska Air Group Inc	ALK	NRL	BB-
AMR Corporation Delaware	AMR	Caa1	B
Continental Airlines Inc	CAL	Ba1	B
Delta Air Lines	DAL	B1	B
Express Jet	XJT	NRL	NRL
FedEx Corporation	FDX	Baa1	BBB
Frontier Airlines Incorporated*	FRNT	NRL	NRL
JetBlue Airways	JBLU	B3	B
Mesa Air Group*	MESA	NRL	NRL
Republic Airways Holdings, Inc.	RJET	NRL	NRL
Sky West*	SKYW	NRL	NRL
Southwest Airlines Company	LUV	A2	A-
United Airlines, Inc.	UAUA	Ba2	B
United Parcel Svc	UPS	Aa2	AA-
Overall Average Debt Rating		Ba1	BB+
Reconciled			

Air Transport - NonMajor Passenger			
Company	Ticker	Bond Market Assoc	S&P
Express Jet	XJT	NRL	NRL
Frontier Airlines Incorporated*	FRNT	NRL	NRL
Mesa Air Group*	MESA	NRL	NRL
Republic Airways Holdings, Inc.	RJET	NRL	NRL
Overall Average Debt Rating			
Reconciled		8.2%	

Mergent's Bond Record

	Aaa	Aa	A	Baa	Ba
October	5.66%	5.94%	6.13%	6.48%	7.12%
November	5.44%	5.78%	5.97%	6.40%	7.37%
December	5.49%	5.91%	6.19%	6.65%	7.41%
Average	5.53%	5.88%	6.10%	6.51%	7.30%

DEBT YIELD RATE
8.2%

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
2008 Assessment Year

Industry Overall				
Company Name	Ticker	\$Stock\$ Average	*Cash Flow	Ratio
Airnet Systems*	ANS	2.07	(0.36)	NMF
AirTran Hldgs Inc*	AAI	9.01	1.12	12.4%
Alaska Air Group Inc	ALK	24.94	7.15	28.7%
AMR Corporation Delaware	AMR	21.21	6.39	30.1%
Continental Airlines Inc	CAL	30.01	10.10	33.7%
Delta Air Lines	DAL	18.37	6.05	32.9%
Express Jet	XJT	2.89	2.18	75.3%
FedEx Corporation	FDX	99.28	12.39	12.5%
Frontier Airlines Incorporated*	FRNT	6.27	0.43	6.9%
JetBlue Airways	JBLU	8.23	1.07	13.0%
Mesa Air Group*	MESA	4.25	(1.05)	NMF
Republic Airways Holdings, Inc.	RJET	20.32	4.02	19.8%
Sky West*	SKYW	26.54	5.25	19.8%
Southwest Airlines Company	LUV	13.84	1.40	10.1%
United Airlines, Inc.	UAUA	43.13	11.35	26.3%
United Parcel Svc	UPS	73.82	5.80	7.9%
	Mean:			23.5%
	Median:			19.8%

Air Transport - NonMajor Passenger				
Company Name	Ticker	\$Stock\$ Average	*Cash Flow	Ratio
Express Jet	XJT	2.89	2.18	75.3%
Frontier Airlines Incorporated*	FRNT	6.27	0.43	6.9%
Mesa Air Group*	MESA	4.25	(1.05)	NMF
Republic Airways Holdings, Inc.	RJET	20.32	4.02	19.8%
	Mean:			34.0%
	Weighted Mean:	33.73	5.58	15.4%
	Median:			19.8%
Estimated				15.5%

sources: ValueLine

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

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

Industry: Air Transport - NonMajor Passenger
Assessment Year: 2008 Assessment Year

Guideline Companies:		Stock Price (4th 1/4 average)	Common Shares	Preferred \$ Stock \$	LTD + OP Lease	Long Term \$ Debt \$	operating leases leases pmt/op lease rate	Revenues Per Share	Cash Flow Per Share	2008 Cash Flow	Earnings Per Share	Projected EPS
Name	Ticker											
Airnet Systems*	ANS	2.07	10,173,000	-	13,000,000	8,000,000	5,000,000	17.00	(0.36)	N/A	(1.31)	N/A
AirTran Hldgs Inc*	AAI	9.01	91,886,000	-	2,679,429,412	958,200,000	1,721,229,412	25.14	1.12	0.65	0.58	0.25
Alaska Air Group Inc	ALK	24.94	38,050,680	-	2,503,371,263	1,124,600,000	1,378,771,263	92.14	7.15	7.25	2.34	2.25
AMR Corporation Delaware	AMR	21.21	249,410,640	-	13,222,144,579	10,063,000,000	3,129,144,579	91.96	6.39	4.80	1.38	(0.15)
Continental Airlines Inc	CAL	30.01	96,208,888	-	12,848,228,577	4,366,000,000	8,483,228,577	144.93	10.10	8.35	4.81	3.25
Delta Air Lines	DAL	18.37	287,479,986	-	11,425,206,957	7,986,000,000	3,439,206,957	66.63	6.05	5.80	1.06	1.15
Express Jet	XJT	2.89	54,730,575	-	2,909,566,667	10,400,000	2,899,166,667	31.01	2.18	N/A	(1.02)	(0.87)
FedEx Corporation	FDX	99.28	309,464,551	-	3,546,918,574	2,007,000,000	1,539,918,574	114.33	12.39	13.15	6.67	6.30
Frontier Airlines Incorporated*	FRNT	6.27	36,641,744	-	2,446,641,302	540,200,000	1,906,441,302	31.97	0.43	N/A	(0.56)	N/A
JetBlue Airways	JBLU	8.23	181,583,440	-	4,157,175,640	2,588,000,000	1,569,175,640	15.65	1.07	1.10	0.10	0.10
Mesa Air Group*	MESA	4.25	27,550,249	-	2,098,741,298	553,600,000	1,545,141,298	46.05	(1.05)	N/A	(2.31)	0.70
Republic Airways Holdings, Inc.	RJET	20.32	38,174,187	-	2,930,345,107	1,682,900,000	1,247,445,107	26.76	4.02	N/A	2.02	2.56
Sky West*	SKYW	26.54	61,177,688	-	4,734,295,916	1,768,700,000	2,965,595,916	48.70	5.25	N/A	2.49	2.74
Southwest Airlines Company	LUV	13.84	735,665,898	-	4,057,638,248	2,050,000,000	2,007,638,248	13.42	1.40	1.45	0.61	0.65
United Airlines, Inc.	UAUA	43.13	116,035,332	-	13,324,102,443	8,156,000,000	5,168,102,443	171.80	11.35	11.85	2.15	2.90
United Parcel Svc	UPS	73.82	1,050,841,981	-	7,292,817,608	3,287,000,000	4,005,817,608	46.23	5.80	6.15	4.15	4.40

Industry: Air Transport
Assessment Year: 2008 Assess

Guideline Companies:		Further Projected	Dividends	BV	Beta	P/E	Div'd	ValueLine	ValueLine	S & P	Pref	Com
Name	Ticker	EPS	Per Share	per share		Ratio	Yield	Earnings Growth	Dividends Growth	Earnings Growth	Stock	Stock
Airnet Systems*	ANS	N/A	NIL	3.35	0.75	3.4	NIL	NIL		NL	0%	
AirTran Hldgs Inc*	AAI	1.45	NIL	4.86	1.45	42.1	NIL	NIL		12%	0%	
Alaska Air Group Inc	ALK	5.75	NIL	26.91	1.30	16.2	NIL	NIL		11%	0%	
AMR Corporation Delaware	AMR	3.5	NIL	10.65	2.30	10.7	NIL	NIL		6%	0%	
Continental Airlines Inc	CAL	7.2	NIL	15.80	2.05	8.8	NIL	NIL		6%	0%	
Delta Air Lines	DAL	3.5	NIL	35.18	NMF	20.7	NIL	NIL		23%	0%	
Express Jet	XJT	N/A	NIL	5.62	1.70	NMF	NIL	NIL		16%	0%	
FedEx Corporation	FDX	10.1	0.37	41.09	1.00	14.4	0.4%	9.5%	10%	14%	0%	
Frontier Airlines Incorporated*	FRNT	N/A	NIL	5.72	1.55	NMF	NIL			15%	0%	
JetBlue Airways	JBLU	1	NIL	5.71	1.05	67.9	NIL			15%	0%	
Mesa Air Group*	MESA	N/A	NIL	5.05	1.20	NMF	NIL			8%	0%	
Republic Airways Holdings, Inc.	RJET	N/A	NIL	11.91	0.80	10.5	NIL			14%	0%	
Sky West*	SKYW	N/A	0.12	18.42	1.40	9.5	0.5%	12.5%	11%	13%	0%	
Southwest Airlines Company	LUV	1.45	0.02	9.45	0.90	20.9	0.2%	18.0%	6%	13%	0%	
United Airlines, Inc.	UAL	7.7	NIL	21.60	NMF	18	NIL			NL	0%	
United Parcel Svc	UPS	5.85	1.64	15.65	0.80	16.8	2.5%	10.0%	9%	12%	0%	

Washington State Department of Revenue

Airnet Systems*

ANS

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	1.960	1.960	1.650	1.870	12100	1.870	Q4 Average 2.070
Nov-07	2.250	2.310	1.770	1.970	8300	1.970	
Oct-07	2.450	2.540	2.190	2.260	10000	2.260	
Sep-07	2.820	2.900	2.420	2.530	9600	2.530	
Aug-07	3.430	3.440	2.480	2.820	5100	2.820	
Jul-07	3.300	3.450	3.240	3.430	5200	3.430	
Jun-07	3.580	3.580	3.210	3.300	5800	3.300	
May-07	3.510	3.640	3.480	3.590	20000	3.590	
Apr-07	3.310	3.690	3.310	3.550	12600	3.550	
Mar-07	3.260	3.430	3.110	3.240	4300	3.240	
Feb-07	3.250	3.450	3.140	3.250	43500	3.250	
Jan-07	2.930	3.470	2.850	3.200	40200	3.200	

AirTran Hldgs Inc*

AAI

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	8.440	8.770	7.130	7.160	1573300	7.160	Q4 Average 9.005
Nov-07	10.110	10.270	7.950	8.490	1733500	8.490	
Oct-07	9.790	10.850	9.060	10.410	1720500	10.410	
Sep-07	10.510	10.900	9.770	9.840	1315900	9.840	
Aug-07	9.750	11.170	9.000	10.510	2508000	10.510	
Jul-07	10.990	11.500	9.650	9.840	1986100	9.840	
Jun-07	12.360	12.500	10.520	10.920	1895900	10.920	
May-07	10.980	12.650	10.750	12.390	1537400	12.390	
Apr-07	10.350	12.100	10.180	11.010	2465000	11.010	
Mar-07	10.290	11.090	9.690	10.270	2191200	10.270	
Feb-07	11.080	11.930	10.290	10.400	1840200	10.400	
Jan-07	11.890	13.090	10.640	11.070	2892000	11.070	

Alaska Air Group Inc

ALK

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	25.130	28.000	23.720	25.010	561000	25.010	Q4 Average 24.937
Nov-07	24.960	25.770	21.150	25.330	1013000	25.330	
Oct-07	23.090	27.890	23.090	25.400	810300	25.400	
Sep-07	25.080	26.000	22.600	23.090	622900	23.090	
Aug-07	23.470	26.220	21.500	24.820	860000	24.820	
Jul-07	28.000	29.090	23.260	23.330	757000	23.330	
Jun-07	29.260	29.300	25.900	27.860	745000	27.860	
May-07	29.560	30.720	27.160	29.160	973900	29.160	
Apr-07	38.200	38.990	29.510	29.600	755600	29.600	
Mar-07	40.100	41.170	36.560	38.100	469500	38.100	
Feb-07	42.960	44.500	40.060	41.000	416800	41.000	
Jan-07	40.250	44.520	39.570	42.850	560500	42.850	

Washington State Department of Revenue

AMR Corporation Delaware

AMR

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	21.000	21.280	13.650	14.030	8936500	14.030	Q4 Average 21.210
Nov-07	23.530	24.830	19.000	21.180	8769200	21.180	
Oct-07	22.500	26.000	22.500	24.000	8435700	24.000	
Sep-07	24.700	25.480	20.280	22.290	7607400	22.290	
Aug-07	24.510	25.680	20.300	24.510	7784600	24.510	
Jul-07	26.520	29.320	24.490	24.680	7802600	24.680	
Jun-07	28.600	28.740	24.880	26.350	7580100	26.350	
May-07	25.750	28.870	25.250	28.350	8914700	28.350	
Apr-07	30.420	34.000	25.990	26.090	10150600	26.090	
Mar-07	33.000	34.690	29.680	30.450	5991600	30.450	
Feb-07	37.250	39.870	33.280	34.080	6875400	34.080	
Jan-07	30.650	41.000	30.650	37.050	13157300	37.050	

Continental Airlines Inc

CAL

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	28.600	28.810	21.590	22.250	3897200	22.250	Q4 Average 30.008
Nov-07	33.830	34.100	25.180	28.150	3673200	28.150	
Oct-07	33.100	37.790	32.580	34.350	3104600	34.350	
Sep-07	32.990	36.000	30.110	33.030	3297500	33.030	
Aug-07	31.520	33.500	26.210	33.260	4935300	33.260	
Jul-07	33.680	38.790	31.400	31.510	4041700	31.510	
Jun-07	40.490	40.540	32.000	33.870	4145700	33.870	
May-07	36.300	40.910	34.810	40.170	4333900	40.170	
Apr-07	36.150	44.100	35.310	36.560	5509300	36.560	
Mar-07	38.680	41.350	35.220	36.390	4278000	36.390	
Feb-07	41.350	46.230	38.260	39.510	4444800	39.510	
Jan-07	41.950	52.400	40.440	41.490	6787300	41.490	

Delta Air Lines

DAL

Date	Open	High	Low	Close	Volume	Adj Close	
12/03/07	19.75	20	14.04	14.89	3902000	14.89	Q4 Average 18.367
11/01/07	20.45	21.1	16.2	19.76	5252900	19.76	
10/01/07	18	21.05	17.81	20.8	3580900	20.8	
09/04/07	17.04	18.34	15.9	17.95	2330800	17.95	
08/01/07	18	19.5	14.94	16.88	3513700	16.88	
07/02/07	19.57	21.8	17.32	17.82	4528300	17.82	
06/01/07	19.1	19.89	18.02	19.7	3938000	19.7	
05/03/07	21.75	21.95	18.02	19.05	4121000	19.05	

Express Jet XJT

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	2.500	2.970	2.450	2.480	685400	2.480	Q4 Average

Washington State Department of Revenue

Nov-07	3.250	3.270	2.300	2.500	1033500	2.500	2.893
Oct-07	3.110	3.720	2.650	3.320	1543000	3.320	
Sep-07	4.270	4.500	3.030	3.090	1143000	3.090	
Aug-07	5.230	5.450	3.750	4.360	1234400	4.360	
Jul-07	6.040	6.450	5.080	5.230	785600	5.230	
Jun-07	6.190	6.320	5.610	5.980	719800	5.980	
May-07	5.980	6.630	5.650	6.190	759800	6.190	
Apr-07	5.880	6.190	5.690	5.970	882900	5.970	
Mar-07	7.220	7.380	5.780	5.840	639700	5.840	
Feb-07	7.810	8.080	7.150	7.230	879400	7.230	
Jan-07	8.010	9.610	7.500	7.810	1363500	7.810	

FedEx Corporation FDX

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	97.480	101.530	89.010	89.170	2464600	89.170	Q4 Average 99.278
Nov-07	102.650	104.000	91.100	98.470	2707100	98.370	
Oct-07	104.990	108.140	101.890	103.340	1960900	103.240	
Sep-07	109.800	111.290	102.050	104.750	2299900	104.650	
Aug-07	110.100	112.540	99.300	109.680	2300500	109.470	
Jul-07	111.850	119.100	108.810	110.740	2637200	110.530	
Jun-07	112.000	113.280	107.050	110.970	2444400	110.760	
May-07	105.900	111.670	104.010	111.620	2609600	111.310	
Apr-07	105.550	110.360	105.150	105.440	1892900	105.140	
Mar-07	113.050	116.760	106.290	107.430	2174400	107.130	
Feb-07	110.670	121.420	110.300	114.230	1876900	113.820	
Jan-07	108.750	112.900	106.630	110.400	1948000	110.000	

Frontier Airlines Incorporated* FRNT

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	6.130	6.160	5.200	5.260	310700	5.260	Q4 Average 6.272
Nov-07	6.930	7.130	5.560	6.100	507500	6.100	
Oct-07	6.160	7.460	6.120	7.050	680400	7.050	
Sep-07	5.500	6.320	5.480	6.190	373900	6.190	
Aug-07	5.270	6.170	4.510	5.930	634200	5.930	
Jul-07	5.630	6.060	5.150	5.300	561200	5.300	
Jun-07	6.240	6.270	5.510	5.600	783600	5.600	
May-07	6.100	6.750	6.000	6.060	557200	6.060	
Apr-07	6.080	6.370	5.900	5.920	388300	5.920	
Mar-07	6.700	6.800	5.900	6.010	527900	6.010	
Feb-07	7.440	7.740	6.650	6.710	468500	6.710	
Jan-07	7.370	8.070	6.970	7.430	533700	7.430	

JetBlue Airways JBLU

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	7.020	8.830	5.900	5.900	6745200	5.900	Q4 Average

Washington State Department of Revenue

Nov-07	9.100	9.110	6.570	7.000	7342400	7.000	8.227
Oct-07	9.230	9.980	8.970	9.130	5428200	9.130	
Sep-07	9.630	9.940	8.970	9.220	4085000	9.220	
Aug-07	9.850	10.370	8.530	9.520	5512000	9.520	
Jul-07	11.840	11.990	9.770	9.850	5000000	9.850	
Jun-07	10.840	11.910	10.050	11.750	5970400	11.750	
May-07	9.920	11.210	9.720	10.780	6192600	10.780	
Apr-07	11.550	12.080	9.850	9.910	8592900	9.910	
Mar-07	12.120	12.420	11.330	11.510	6809700	11.510	
Feb-07	13.880	14.020	12.070	12.310	9105600	12.310	
Jan-07	14.340	17.020	13.480	13.680	6228300	13.680	

Mesa Air Group* MESA

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	3.750	4.850	3.030	3.090	386500	3.090	Q4 Average 4.245
Nov-07	4.560	4.770	3.100	3.780	479200	3.780	
Oct-07	4.450	5.380	4.340	4.650	547200	4.650	
Sep-07	5.640	5.690	4.380	4.440	429300	4.440	
Aug-07	6.650	6.870	4.390	5.640	645800	5.640	
Jul-07	6.620	7.250	6.310	6.650	417100	6.650	
Jun-07	7.020	7.180	6.540	6.610	660700	6.610	
May-07	6.810	7.110	6.510	7.050	534000	7.050	
Apr-07	7.560	8.020	6.620	6.760	581800	6.760	
Mar-07	7.510	8.360	7.260	7.530	497700	7.530	
Feb-07	7.550	8.090	7.490	7.610	656400	7.610	
Jan-07	8.650	8.820	7.350	7.490	679400	7.490	

Republic Airways Holdings, Inc. RJET

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	20.000	20.820	18.320	19.590	239500	19.590	Q4 Average 20.317
Nov-07	20.890	22.470	18.390	20.080	321300	20.080	
Oct-07	21.070	22.750	19.150	21.290	382900	21.290	
Sep-07	18.920	22.460	18.750	21.170	399100	21.170	
Aug-07	19.180	19.980	17.460	19.040	397400	19.040	
Jul-07	20.490	21.360	18.980	19.290	257800	19.290	
Jun-07	23.300	23.600	19.800	20.350	352200	20.350	
May-07	21.200	23.880	20.440	23.370	266100	23.370	
Apr-07	22.900	23.590	21.020	21.260	420600	21.260	
Mar-07	19.610	23.130	19.180	22.960	349500	22.960	
Feb-07	19.200	20.000	18.300	19.820	296900	19.820	
Jan-07	16.720	19.340	16.700	19.120	383700	19.120	

Sky West* SKYW

Date	Open	High	Low	Close	Volume	Adj Close	
Dec-07	26.490	28.050	25.710	26.850	448600	26.850	Q4 Average

Washington State Department of Revenue

Nov-07	26.860	29.500	23.440	26.310	718000	26.280	26.543
Oct-07	25.180	27.490	25.070	27.290	490600	27.260	
Sep-07	25.040	25.580	22.950	25.170	427700	25.140	
Aug-07	22.210	25.460	21.270	25.130	682800	25.070	
Jul-07	23.910	24.660	21.770	22.310	676200	22.260	
Jun-07	27.500	27.950	23.690	23.830	795500	23.780	
May-07	27.250	27.790	25.440	27.530	814300	27.430	
Apr-07	26.930	28.600	26.480	27.210	645600	27.110	
Mar-07	25.710	27.670	24.700	26.830	473200	26.740	
Feb-07	27.300	27.730	25.250	25.550	485800	25.430	
Jan-07	25.720	28.490	25.630	27.140	655800	27.010	

Southwest Airlines Company LUV

Date	Open	High	Low	Close	Volume	Adj Close	Q4 Average 13.835
Dec-07	14.040	14.440	12.120	12.200	5220300	12.200	
Nov-07	14.020	14.800	12.890	14.150	6822000	14.140	
Oct-07	14.650	15.060	13.700	14.210	4877300	14.200	
Sep-07	15.110	15.410	14.210	14.800	6141200	14.790	
Aug-07	15.580	16.960	14.660	15.110	7583300	15.100	
Jul-07	14.840	16.570	14.840	15.660	10106900	15.650	
Jun-07	14.380	15.150	14.030	14.910	9122200	14.900	
May-07	14.320	14.820	14.140	14.310	7955900	14.300	
Apr-07	14.750	15.900	14.210	14.350	11045100	14.340	
Mar-07	15.050	15.590	14.500	14.700	7967700	14.680	
Feb-07	15.120	16.140	15.000	15.120	8250700	15.100	
Jan-07	15.460	16.580	14.950	15.100	9561300	15.080	

United Airlines, Inc. UAA

Date	Open	High	Low	Close	Volume	Adj Close	Q4 Average 43.128
12/03/07	40.27	42.83	33.48	35.66	2888200	35.66	
11/01/07	47.23	49.48	35.87	40.94	3990400	40.94	
10/01/07	46.53	51.6	45.51	47.9	2310200	47.9	
09/04/07	47.9	48.57	42.4	46.53	2217100	46.53	
08/01/07	44	47.85	35.9	47.47	3428900	47.47	
07/02/07	40.51	50	40.33	44.14	4500200	44.14	
06/01/07	39.54	40.85	33.89	40.59	3524700	40.59	
05/01/07	32.9	40.53	31.62	39.26	3507700	39.26	
04/02/07	38.3	44.32	33.2	33.4	3978900	33.4	
03/01/07	39.44	41.56	36.64	38.17	3030600	38.17	
02/01/07	43	46.5	38.34	39.99	2911900	39.99	
01/03/07	44.8	51.57	40.9	43.2	4680600	43.2	

United Parcel Svc UPS

Date	Open	High	Low	Close	Volume	Adj Close	Q4 Average
Dec-07	73.000	75.820	70.250	70.720	4020200	70.720	

Washington State Department of Revenue

Nov-07	74.730	75.100	70.000	73.680	4886900	73.680	73.822
Oct-07	75.540	77.760	74.000	75.100	3297000	74.670	
Sep-07	75.540	76.420	73.310	75.100	3752900	74.670	
Aug-07	75.510	78.990	72.870	75.860	5507400	75.010	
Jul-07	73.480	78.400	72.700	75.720	4812800	74.870	
Jun-07	72.100	74.480	70.930	73.000	4050700	72.180	
May-07	70.600	72.200	69.710	71.970	3522500	71.160	
Apr-07	70.090	73.200	69.530	70.430	3744400	69.230	
Mar-07	69.400	71.630	68.660	70.100	4104400	68.900	
Feb-07	72.850	75.320	69.930	70.190	4167600	68.990	
Jan-07	75.450	75.980	70.380	72.280	4238600	70.650	