

Frontier Airlines Holdings, Inc.
Form 10-K
May 25, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: **000-51890**

FRONTIER AIRLINES HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporated or organization)

20-4191157

(I.R.S. Employer Identification No.)

7001 Tower Road, Denver, CO

(Address of principal executive offices)

80249

(Zip Code)

Registrant's telephone number including area code: **(720) 374-4200**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Class</u>	<u>Name of exchange on which registered</u>
Common Stock, Par Value of \$0.001 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ___ No X

Indicate by check mark whether the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ___ No X

Indicate by check mark whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer or large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ___ Accelerated filer Non-accelerated filer ___

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ___ No

The aggregate market value of common stock held by non-affiliates of the Company computed by reference to the last quoted price at which such stock sold on such date as reported by the Nasdaq National Market as of September 30, 2006 was \$298,817,926.

The number of shares of the Company's common stock outstanding as of May 23, 2007 is 36,641,181.

Documents incorporated by reference

Certain information required by Part III is incorporated by reference to the Company's 2007 Proxy Statement.

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PART I

Special Note About Forward-Looking Statements. *This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”) that describe the business and prospects of Frontier Airlines Holdings, Inc. and the expectations of our company and management. All statements included in this report that address activities, events or developments that we expect, believe, intend or anticipate will or may occur in the future, are forward-looking statements. When used in this document, the words “estimate,” “anticipate,” “intend,” “project,” “believe” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. These risks and uncertainties include, but are not limited to: the timing of, and expense associated with, expansion and modification of our operations in accordance with our business strategy or in response to competitive pressures or other factors; failure of our new markets to perform as anticipated; the inability to achieve a level of revenue through fares sufficient to obtain profitability due to competition from other air carriers and excess capacity in the markets we serve; the inability to obtain sufficient gates at Denver International Airport (“DIA”) to accommodate the expansion of our operations; the inability to successfully lease or build a new maintenance hanger prior to a potential lease termination of our primary maintenance hanger located at DIA that is on a month-to-month sublease with Continental Airlines; general economic factors and behavior of the fare-paying public and its potential impact on our liquidity; terrorist attacks or other incidents that could cause the public to question the safety and/or efficiency of air travel; hurricanes and their impact on oil production; operational disruptions, including weather; industry consolidation; the impact of labor disputes; enhanced security requirements; changes in the government’s policy regarding relief or assistance to the airline industry; the economic environment of the airline industry generally; increased federal scrutiny of low-fare carriers generally that may increase our operating costs or otherwise adversely affect us; actions of airlines competing in our primary markets, such as increasing capacity and pricing actions of United Airlines, Southwest Airlines, and other competitors, particularly in some of our Mexico destinations due to the increase in the number of domestic airlines authorized to serve Mexican markets from the U.S.; the availability of suitable aircraft, which may inhibit our ability to achieve operating economies and implement our business strategy; the unavailability of, or inability to secure upon acceptable terms, debt or operating lease financing necessary to acquire aircraft which we have ordered; uncertainties regarding aviation fuel price; inherent risks of entering into, new business strategies, such as the start-up of a new subsidiary using a different type of aircraft and in different markets and a new regional jet partner, and various risk factors to our business discussed elsewhere in this report. Forward-looking statements include the statements in Item 7, “Outlook”. Because our business, like that of the airline industry generally, is characterized by high fixed costs relative to revenues, small fluctuations in our revenue per available seat mile (“RASM”) or cost per available seat mile (“CASM”) can significantly affect operating results. These risks and factors are not exclusive, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this filing.*

Item 1: Business

General

On April 3, 2006, Frontier Airlines, Inc. (“Frontier”) completed its corporate reorganization (the “Reorganization”). As a result of the Reorganization, Frontier became a wholly-owned subsidiary of Frontier Airlines Holdings, Inc. (“Frontier Holdings”), a Delaware corporation, and Frontier Holdings became the successor issuer to Frontier pursuant to Rule 12g-3 under the Exchange Act. In connection with the Reorganization, each outstanding share of common stock, no par value, of Frontier was exchanged for one share of common stock, \$0.001 par value, of Frontier Holdings, resulting in each shareholder of Frontier as of the close of business on March 31, 2006 becoming a stockholder of Frontier Holdings as of the opening of business on April 3, 2006. The common stock of Frontier Holdings is now the publicly

traded stock of the company. In this report, references to “us,” “we,” or the “company” refer to the consolidated results of Frontier Holdings unless the context requires otherwise.

In September 2006, we formed a new subsidiary, Lynx Aviation, Inc. (“Lynx Aviation”). Lynx Aviation intends to assume a purchase agreement between Frontier Holdings and Bombardier, Inc. for ten Q400 turboprop aircraft, each with a seating capacity of 74, with the option to purchase ten additional aircraft. The aircraft will be purchased and operated by Lynx Aviation under a separate operating certificate. Lynx Aviation is currently in the process of obtaining Federal authorization to provide scheduled air transportation. Lynx Aviation submitted its

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application to the Department of Transportation in January 2007, and the DOT entered its show cause order on May 4, 2007. Lynx Aviation expects it will receive its authorizations in August and commence revenue service operations in September 2007 with ten aircraft in service by the end of January 2008. At this time, Frontier and Lynx Aviation are the only subsidiaries of Frontier Holdings. The financial performance of Frontier Holdings is represented by the financial performance of Frontier and includes only start-up costs for Lynx Aviation because it has not yet commenced operations.

Now in our 13th year of operations, we are a low cost, affordable fare airline operating primarily in a hub and spoke fashion connecting cities coast to coast through our hub at Denver International Airport (“DIA”). We are the second largest jet service carrier at DIA based on departures and in January 2007, we became a major carrier as designated by the DOT. As of May 18, 2007, we, in conjunction with our Frontier JetExpress brand operated by Horizon Air Industries, Inc. (“Horizon”) and Republic Airlines, Inc. (“Republic”) or (“Frontier JetExpress”), operate routes linking our Denver hub to 49 U.S. cities spanning the nation from coast to coast, eight cities in Mexico and two cities in Canada. We also provide service to Mexico from 10 non-hub cities. We began service between San Francisco, California and Los Angeles, California with five daily frequencies on June 29, 2006 and service between San Francisco, California and Las Vegas, Nevada on December 14, 2006 with one daily frequency. On May 3, 2007, we announced that we plan to terminate point-to-point service between San Francisco and Los Angeles and between San Francisco and Las Vegas effective July 10, 2007.

We were organized in February 1994, and we began flight operations in July 1994 with two leased Boeing 737-200 jets. We have since expanded our fleet in service to 59 jets as of May 18, 2007 (38 of which we lease and 21 of which we own), consisting of 49 Airbus A319s and ten Airbus A318s. In April 2005, we completed our plan to replace our Boeing aircraft with new purchased and leased Airbus jet aircraft. During the years ended March 31, 2007 and 2006, we increased year-over-year capacity by 14.4% and 8.4%, respectively. During the years ended March 31, 2007 and 2006, we increased mainline passenger traffic by 14.7% and 12.9%, respectively, outpacing our increase in capacity during both periods. We intend to continue our growth strategy and to expand to new markets and add frequency to existing markets that we believe are underserved.

On January 11, 2007, we signed an agreement with Republic under which Republic will operate up to 17 Embraer 170 aircraft with capacity of 76-seats under our Frontier JetExpress brand. The contract is for an 11-year period from the in-service date of the last aircraft, which is scheduled for December 2008. The service began on March 4, 2007 and replaced our agreement with Horizon, which will expire on return of the last aircraft in December 2007. We control the routing, scheduling and ticketing of this service. We compensate Republic for its services based on its operating expenses plus a margin on certain of its expenses. The agreement provides for financial incentives and penalties based on the performance of Republic.

In September 2003, we signed an agreement with Horizon, under which Horizon operates up to nine 70-seat CRJ 700 aircraft under our Frontier JetExpress brand. In September 2006, we amended the Horizon Agreement to provide that all nine CRJ-700 aircraft will be returned to Horizon during a one-year ramp down period that began in January 2007 and will be completed in December 2007.

As of May 18, 2007, Frontier JetExpress provided service to Billings, Montana; Boise, Idaho; El Paso, Texas; Little Rock, Arkansas; Louisville, Kentucky; Oklahoma City, Oklahoma; Tulsa, Oklahoma, and Calgary, Alberta, Canada and supplements our mainline service to Albuquerque, New Mexico; Los Angeles, California; Omaha, Nebraska; San Francisco, California; and Spokane, Washington.

We currently lease 22 gates on Concourse A at DIA on a preferential basis. We use these 22 gates and share use of up to seven common use regional jet parking positions to operate approximately 300 daily mainline flight departures and arrivals and 65 Frontier JetExpress daily system flight departures and arrivals.

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Our filings with the Securities and Exchange Commission (the “SEC”) are available at no cost on our website, www.frontierairlines.com, in the Investor Relations folder contained in the section titled “About Frontier”. These reports include our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, Section 16 reports on Forms 3, 4 and 5, and any related amendments or other documents that we file or furnish with the SEC, and are made available as soon as reasonably practicable after we file or furnish the materials with the SEC.

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Our corporate headquarters are located at 7001 Tower Road, Denver, Colorado 80249. Our administrative office telephone number is 720-374-4200 and our reservations telephone number is 800-432-1FLY.

Overview of Operations and the Industry

We intend to continue our focused growth strategy while keeping our operating costs low. One of the key elements to keeping our costs low was the completion of the transition from a Boeing fleet to an all Airbus fleet in April 2005. This strategy produces cost savings because crew training is standardized for aircraft of a common type, maintenance issues are simplified, spare parts inventory is reduced, and scheduling is more efficient. We also keep our operating costs low by operating only two types of Airbus aircraft with similar engines and cockpit configurations and a single class of service. Operating a single class of service simplifies our operations, enhances productivity, increases our capacity and offers an operating cost advantage. The anticipated addition of the Bombardier Q400 turboprop aircraft through our Lynx Aviation subsidiary and the expansion of our JetExpress operation will allow us to add routes to markets that we believe are under-served in Colorado and elsewhere in the Rocky Mountain region using the aircraft that we believe will offer favorable economics and operating performance for the selected routes. The operations of both Lynx Aviation and Jet Express services are separate and apart from our mainline Airbus operations. We anticipate that Lynx Aviation will begin revenue service in September 2007.

As of May 18, 2007, we had remaining firm purchase commitments for 21 aircraft (one Airbus 318 aircraft, ten Airbus 320 aircraft and ten Bombardier Q400 aircraft). We intend to use these additional aircraft to provide service to new markets and to add frequencies to existing markets that we believe are underserved.

We believe we have a proven management team and a strong company culture and will continue to focus on differentiating the product and service we provide to our passengers. We believe our friendly and dedicated employees, affordable pricing, accommodating service, in-flight entertainment systems and comfortable airplanes distinguish our product and service from our competitors. Safety is a primary concern, and we are proud that our maintenance staff has been awarded the Federal Aviation Administration (“FAA”) Diamond Award for Excellence for eight straight years - an award that recognizes our commitment to the ongoing training and education of our maintenance staff. Our product begins with the Airbus aircraft, which offers a comfortable passenger cabin that we configure with one class of seating, ample leg room, and in-seat 24 channel live television entertainment. We also provide four additional channels that offer current-run pay-per-view movies.

The airline industry is intensely competitive with record high aviation fuel costs. We expect competition will remain intense. Business and leisure travelers continue to reevaluate their travel budgets and remain highly price sensitive. Increased competition has prompted aggressive strategies from competitors through discounted fares and sales promotions. Additionally, the intense competition coupled with the record high fuel costs has created financial hardship for some of our competitors that have been forced to reduce capacity and, in some cases, seek bankruptcy protection.

Business Strategy and Markets

Our business strategy is to provide air service at affordable fares to high volume markets from our DIA hub and limited point-to-point routes outside of our DIA hub while seeking ways to leverage our strong market position in Denver and excellent product and service. Our strategy is based on the following factors:

- Stimulate demand by offering a combination of low fares, quality service and frequent flyer credits in our frequent flyer program, *EarlyReturns*®.
- Expand our Denver hub operation and increase connecting traffic by adding additional high volume markets to our current route system through use of our own aircraft, the introduction and expansion of Lynx Aviation and by entering into code sharing agreements and other relationships with other airlines.

- Continue filling gaps in flight frequencies to current markets from our DIA hub.
- Evaluate other opportunities for additional non-hub point-to-point routes.

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Our route system strategy encompasses connecting our Denver hub to top business and leisure destinations. We currently serve 44 of the top 50 destinations from Denver, as defined by the U.S. Department of Transportation's, ("DOT") Origin and Destination Market Survey.

As of May 18, 2007, we, in conjunction with Frontier JetExpress, operate routes linking our Denver hub to 49 U.S. cities spanning the nation from coast to coast, eight cities in Mexico and two cities in Canada. We also provide service to Mexico from 10 non-hub cities and we began service between San Francisco, California and Los Angeles, California with five daily frequencies on June 29, 2006 and service between San Francisco, California and Las Vegas, Nevada on December 14, 2006 with one daily frequency. On May 3, 2007, we announced that we plan to terminate point-to-point service between San Francisco and Los Angeles and between San Francisco and Las Vegas effective July 10, 2007.

During the year ended March 31, 2007 and as of May 18, 2007, we added new service out of DIA to the following cities with commencement dates as follows:

<u>Destination</u>	<u>Commencement Date</u>
DIA to Calgary, Alberta, Canada (1)	May 25, 2006
DIA to Guadalajara, Mexico	December 24, 2006
DIA to Hartford, Connecticut	March 2, 2007
DIA to Louisville, Kentucky (1)	April 1, 2007
DIA to Vancouver, British Columbia, Canada	May 5, 2007
DIA to Memphis, Tennessee	May 12, 2007

(1) Operated exclusively by Frontier JetExpress.

We also discontinued service to Baltimore, Maryland effective January 8, 2007

We have continued our Mexico expansion, and as of May 18, 2007 we serve the following routes:

Destination	Current non-stop round-trip frequencies
California:	
Los Angeles to Cabo San Lucas	One Daily
San Diego to Cancun*	Once per week
San Francisco to Cabo San Lucas	Daily except Saturdays
San Jose to Cabo San Lucas*	Three per week
Sacramento to Cabo San Lucas*	Four per week
Colorado:	
Denver to Acapulco*	Twice per week
Denver to Cabo San Lucas	Daily
Denver to Cancun	Daily
Denver to Cozumel	Three per week

Denver to Guadalajara	Four weekly
Denver to Ixtapa/Zihuatanejo	Three per week
Denver to Mazatlan	Four weekly
Denver to Puerto Vallarta	Daily

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Missouri:	
Kansas City to Cabo San Lucas*	Once per week
Kansas City to Puerto Vallarta*	Once per week
St. Louis to Cancun*	Three per week
Indiana:	
Indianapolis to Cancun*	Three per week
Tennessee:	
Nashville to Cancun*	Three per week
Utah:	
Salt Lake City to Cancun	Once per week
* Seasonal service	

On March 19, 2007, we announced that we plan to offer daily mainline non-stop and one-stop service between DIA and Jacksonville International Airport beginning June 15, 2007. On February 7, 2007, we also announced that we plan to offer non-stop flights between Dallas/Ft. Worth and Mazatlan, Mexico three times a week beginning on June 7, 2007. On April 25, 2007, we announced that we plan to offer daily non-stop service between DIA and Baton Rouge, Louisiana to become the only low-cost carrier serving Baton Rouge Metropolitan Airport. The new service will be operated by Republic Airlines using EMB170 equipment beginning on August 15, 2007.

On April 3, 2007, the U.S. Department of Transportation issued an “Open-Skies Notice” inviting all U.S. air carriers now certificated to conduct foreign scheduled air transportation and interested in applying for blanket open-skies certificate authority to file applications with the Department. We filed for this blanket authority in April 2007. In advance of receiving this blanket authority, on May 14, 2007, we filed an application to provide scheduled air service from DIA and Los Angeles, California to two destinations in Costa Rica. We received approval to fly to Costa Rica from the DOT on May 17, 2007 and plan to start service to the Santamaria International Airport in San Jose, Costa Rica on November 30, 2007.

Fleet and Operational Upgrades

As of November 2004, Frontier’s Airbus fleet was certified to FAA Category III instrument approach minimums. Category III certification reduces the number of diversions because of low visibility, a condition that occurs with some regularity at a number of the cities we serve.

As of July 2004, ten of our owned A319 aircraft have increased maximum rated thrust from a base of 22,000 to 23,500 pounds per engine and as of April 2005, these ten aircraft have increased maximum take-off weight from a base of 70 tons to 75.5 tons. The improved operational performance of these aircraft allows us to serve longer haul markets such as Denver to Anchorage, Alaska, and to depart from airports with shorter runways while carrying a full passenger load. In addition, two of the A319 aircraft delivered to us during fiscal year 2007 included over-water configurations and we plan to change three more A319 aircraft that we own to over-water configurations during the year.

Marketing and Sales

Our sales efforts target value conscious leisure and business travelers. Value conscious customers are price-sensitive; however, we believe their travel decisions are also balanced with other aspects of our product offering such as our frequent flyer program, non-stop service, advanced seat assignments, service level and live television entertainment. In the leisure market, we offer discounted fares marketed through the Internet, newspaper, radio and

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television advertising along with special promotions and travel packages. In May 2003, we launched a new brand strategy and advertising campaign designed to identify Frontier as “A Whole Different Animal” and to set us apart from our competition. The campaign includes television, print and radio components that began running in the Denver market and have since expanded to additional markets along our routes. We have gathered extensive customer and employee feedback that has allowed us to identify elements of service that are important to our customers who have the potential to fly with us more often.

On May 23, 2006, we launched a new version of our website as part of our strategic initiative to reduce commissions paid to external travel websites and to provide better customer service by increasing our website bookings. We have increased our rate of bookings on our internal website from 36.0% to 37.4% of total bookings. We began a phased improvement of our website shortly after we converted our reservation and ticketing automation to Sabre by March 2005. In January 2007, we added redemption capabilities for Early Return members. Also, on May 1, 2007, we implemented a new low fare shopping capability that now displays fares three days before and after departure and return dates. Results are listed in a seven-by-seven grid format that allows users to see when the cheapest fares are being offered. The Web site's default setting will pull up flexible fares, but customers can still search by schedule.

In conjunction with the branding campaign, we have sponsorship agreements as the exclusive airline of The Pepsi Center in Denver, Denver's National Hockey League team, the Colorado Avalanche, and Denver's National Basketball Association team, the Denver Nuggets. We also have sponsorship agreements with Colorado's Major League Baseball team the Colorado Rockies, Colorado's National Lacrosse League team, the Colorado Mammoth, and Colorado's Arena Football League team, the Colorado Crush. In addition, we are the exclusive airline partner for the college athletic programs of the Air Force Academy, University of Colorado, Colorado State University, the University of Denver, the University of Northern Colorado, and the University of Wyoming. The agreements allow for prominent signage in applicable stadiums and arenas, participation in-game promotions, receipt of prominent logo and advertising placement in publications and access to joint promotion opportunities. These agreements vary in terms of length and the amount and method of compensation to the sponsored entities.

In order to increase connecting traffic, we have a code share agreement with Great Lakes Aviation Ltd. and in January 2007, we signed an agreement with Republic operating as Frontier JetExpress that is replacing our current agreement with Horizon. This will increase our regional jet fleet from nine aircraft to 17 aircraft. We also expect Lynx Aviation to provide additional connecting traffic to markets where regional jet service would not be as economically feasible to operate or operationally restricted. We also have interline agreements with 105 domestic and international airlines serving cities on our route system. Generally, these agreements include joint ticketing and baggage services and other conveniences designed to expedite the connecting process.

In November 2006, we partnered with AirTran Airways to create the first Low Cost Carrier referral and frequent flyer partnership in the industry that offers travelers the ability to reach more than 80 destinations across four countries. This partnership enables both airlines to increase destination options by linking phone and online reservations systems as well as enabling Frontier's *EarlyReturns*® and AirTran's A+ Rewards members to earn and redeem mileage/travel credits on both airlines.

To balance the seasonal demand changes that occur in the leisure market, we have introduced programs over the past several years that are designed to capture a larger share of the corporate market, which tends to be less seasonal than the leisure market. These programs include negotiated fares for large companies that sign contracts committing to a specified volume of travel, future travel credits for small and medium size businesses contracting with us, and special discounts for members of various trade and nonprofit associations.

We also pursue sales opportunities with meeting and convention arrangers and government travel offices. The primary tools we use to attract this business include personal sales calls, direct mail and telemarketing. In addition, we offer air/ground vacation packages to many destinations on our route system under contracts with various tour operators.

We participate in the four major computer reservation systems used by travel agents to make airline reservations: Amadeus, Galileo, Worldspan and Sabre. We maintain reservation centers in Denver, Colorado and Las Cruces, New Mexico, operated by our own employees.

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LiveTV

In October 2002, we signed a 12 year purchase and long-term services agreement with LiveTV, LLC to bring DIRECTV AIRBORNE™ satellite programming to every seatback in our Airbus fleet. DIRECTV® programming features 24 channels of live television delivered to each seat. We charge \$5 per segment for access to the system to offset the costs for the system equipment, programming, and services. In 2005, we continued to improve our customers' flying experience by adding four additional channels that offer current-run pay-per-view movies for \$8 per segment.

Customer Loyalty Program

We have operated *EarlyReturns*®, our frequent flyer program, since February 2001. Our frequent flyer program won the following awards at the 2007 Freddie Awards for frequent flyer programs: first place for program of the year and best award (for redemption deals); second place for best member communication and best customer service; third place for best website and best award redemption; fourth place for the best elite level, fifth place for the best bonus promotion (fly 3 get 1 free) and sixth place for best affinity card. We believe that our frequent flyer program offers some of the most generous benefits in the industry, including a free round-trip award ticket within the contiguous U.S. or between the contiguous U.S. and Canada after accumulating only 15,000 miles (25,000 miles to Alaska or any of our destinations in Mexico). There are no blackout dates for award travel. Additionally, members who earn 25,000 or more Frontier flight miles or fly 40 or more Frontier flight segments in a calendar year attain Summit Level status, which includes a 50% mileage bonus on each paid Frontier flight, priority check-in and boarding, complimentary on-board cocktails and DIRECTV, extra allowance on checked baggage and priority baggage handling, standby at no charge on return flights the day before, the day of, and the day after the originally scheduled flight, \$100 change fees waived, and access to an exclusive customer service toll-free phone number. Members who earn 15,000 - 24,999 Frontier flight miles annually, fly 25 or more Frontier flight segments, or spend \$60,000 or more on their Frontier MasterCard in a calendar year attain Ascent Level status, which includes a 25% mileage bonus on each Frontier flight, priority check-in and boarding, complimentary DIRECTV service, and access to an exclusive customer service toll-free phone number. Members earn one mile for every mile flown on Frontier. Members can also earn additional miles through our program partners, which presently include Hertz Rental Car, 1-800-FLOWERS.com, Qwest Communications, SuperShuttle, Marriott International and Frontier Airline Cruises, and can transfer points to miles from Citibank Diners Club. To apply for the *EarlyReturns*® program, customers may visit our Web site at www.frontierairlines.com; obtain an *EarlyReturns*® enrollment form at any of our airport counters or call our *EarlyReturns*® Service Center toll-free hotline at 866-26-EARLY, or our reservations at 800-432-1FLY.

In November 2006, we partnered with AirTran Airways to create the first Low Cost Carrier referral and frequent flyer partnership in the industry that offers travelers the ability to reach more than 80 destinations across four countries. This partnership enables both airlines to increase destination options by linking phone and online reservation systems as well as enabling Frontier's *EarlyReturns*® and AirTran's A+ Rewards members to earn and redeem mileage/travel credits on both airlines.