

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**Debtors:** Frontier Airlines Holdings, Inc., *et al.* <sup>(1)</sup>  
**Case Number:** Jointly Administered 08-11298 (RDD)

**Monthly Operating Report for the Period:**  
Month ended May 31, 2008

**Debtors' Address:**  
7001 Tower Road  
Denver, CO 80249

**Monthly Operating Loss:** \$22.0 million

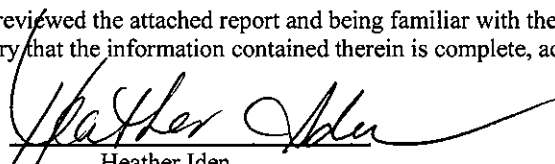
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**Report Preparer:** Frontier Airlines Holdings, Inc.

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under the penalty of perjury that the information contained therein is complete, accurate and truthful to the best of my knowledge. <sup>(2)</sup>

**Date:** June 30, 2008

  
Heather Iden  
Vice President Controller

(1) See next page for a listing of Debtors by case number.

(2) All amounts herein are unaudited and subject to revision. The Debtors reserve all rights to revise this report.

**FRONTIER AIRLINES HOLDINGS, INC., ET AL.**  
**MONTHLY OPERATING REPORT**

(1) The Debtors in these jointly administered cases are as follows:

<b>Debtor Name</b>	<b>Case Number</b>
Frontier Airlines, Inc.	08-11297
Frontier Airlines Holdings, Inc.	08-11298
Lynx Aviation, Inc.	08-11299

**FRONTIER AIRLINES HOLDINGS, INC., ET AL.**  
**SCHEDULE OF DISBURSEMENTS**

<b>Debtor Name</b>	<b>Case Number</b>	<b>Disbursements for month ended May 31, 2008</b>	<b>Disbursements for April 10, 2008 to April 30, 2008</b>	<b>Disbursements filing to date</b>
Frontier Airlines, Inc.	08-11297	\$ 142,196,923	\$ 83,767,766	\$ 225,964,689
Frontier Airlines Holdings, Inc.	08-11298	-	-	-
Lynx Aviation, Inc.	08-11299	\$ 1,353,682	\$ 961,414	\$ 2,315,096

**FRONTIER AIRLINES HOLDINGS, INC., ET AL.**  
**MONTHLY OPERATING REPORT**  
**INDEX**

<b><u>Description</u></b>	<b><u>Page</u></b>
Condensed Consolidated Debtors-in-Possession Statement of Operations for the month ended May 31, 2008 .....	5
Condensed Consolidated Debtors-in-Possession Balance Sheet as of May 31, 2008.....	6
Condensed Consolidated Debtors-in-Possession Statement of Cash Flows for the month ended May 31, 2008 .....	7
Notes to the Condensed Consolidated Monthly Operating Report.....	8

**FRONTIER AIRLINES HOLDINGS, INC., ET AL.**  
**MONTHLY OPERATING REPORT**  
**CONDENSED CONSOLIDATED DEBTORS-IN-POSSESSION STATEMENT OF OPERATIONS**

(In \$U.S. 000's)

	<b>Month Ended May 31, 2008</b>	<b>April 10, 2008 to April 30, 2008</b>	<b>Filing to Date</b>
Revenues:			
Passenger.....	\$ 116,350	\$ 66,833	\$ 183,183
Cargo.....	628	322	950
Other.....	3,106	1,914	5,020
Total revenues.....	120,084	69,069	189,153
Operating expenses:			
Flight operations.....	16,216	10,623	26,839
Aircraft fuel.....	62,096	27,592	89,688
Aircraft lease.....	9,817	6,563	16,380
Aircraft and traffic servicing.....	14,748	10,804	25,552
Maintenance.....	10,633	4,632	15,265
Promotion and sales.....	13,101	6,415	19,516
General and administrative.....	4,724	3,280	8,004
Operating expenses – regional partner.....	10,698	8,726	19,424
Loss (gain) on sales of assets, net.....	(9,216)	6	(9,210)
Depreciation.....	3,735	2,714	6,449
Total operating expenses.....	136,552	81,355	217,907
Operating loss.....	(16,468)	(12,286)	(28,754)
Nonoperating income (expense):			
Interest income.....	522	262	784
Interest expense (contractual interest expense was \$3,353 from April 10,2008 to May 31, 2008) (Note 2).....	(2,962)	(1,907)	(4,869)
Loss from early extinguishment of debt.....	(239)	-	(239)
Other, net.....	(130)	2	(128)
Total nonoperating expenses, net.....	(2,809)	(1,643)	(4,452)
Loss before reorganization items and income taxes.....	(19,277)	(13,929)	(33,206)
Reorganization items (Note 4).....	2,689	2,531	5,220
Income taxes.....	-	-	-
Net loss.....	\$ (21,966)	\$ (16,460)	\$ (38,426)

The accompanying notes are an integral part of the financial statements.

**FRONTIER AIRLINES HOLDINGS, INC., ET AL.**  
**MONTHLY OPERATING REPORT**  
**CONDENSED CONSOLIDATED DEBTORS-IN-POSSESSION BALANCE SHEET**

(In \$U.S. 000's, except share data)

	<b>May 31, 2008</b>	<b>Restated April 30, 2008 (1)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 7).....	\$ 110,058	\$ 99,788
Short-term investments (Note 8) .....	8,501	8,501
Restricted investments .....	100,480	91,686
Receivables, net of allowance for doubtful accounts.....	68,260	55,797
Security and other deposits.....	150	75
Prepaid expenses and other assets .....	32,544	32,113
Inventories, net of allowance.....	19,974	15,457
Assets held for sale .....	1,060	1,150
Total current assets .....	341,027	304,567
Property and equipment, net .....	814,836	870,664
Security and other deposits .....	25,172	25,314
Aircraft pre-delivery payments .....	13,985	13,985
Restricted investments .....	2,845	2,845
Deferred loan expenses and other assets .....	14,193	37,091
Total assets .....	\$ 1,212,058	\$ 1,254,466
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities not subject to compromise:		
Current liabilities:		
Accounts payable (Note 6) .....	50,074	29,273
Air traffic liability.....	246,818	238,065
Other accrued expenses .....	62,979	68,060
Deferred revenue and other current liabilities .....	18,250	18,380
Total current liabilities not subject to compromise.....	378,121	353,778
Deferred revenue and other liabilities.....	23,809	24,194
Total liabilities not subject to compromise.....	401,930	377,972
Liabilities subject to compromise (Note 5).....	706,561	751,135
Total liabilities.....	1,108,491	1,129,107
Stockholders' equity:		
Preferred stock, no par value, authorized 1,000,000 shares; none issued .....	-	-
Common stock, no par value, stated value of \$.001 per share, authorized 1,000,000 shares; 36,945,744 issued and outstanding.....	37	37
Additional paid-in capital .....	196,090	195,984
Unearned ESOP shares .....	(480)	(548)
Other comprehensive loss .....	(299)	(299)
Accumulated deficit.....	(91,781)	(69,815)
Total stockholders' equity .....	103,567	125,359
Total liabilities and stockholders' equity .....	\$ 1,212,058	\$ 1,254,466

The accompanying notes are an integral part of the financial statements.

(1) The audit of the fiscal year-end 2008 financial statements was delayed due to the bankruptcy filing. Since facts and circumstances changed during the intervening period, certain accounting entries have been recorded since the issuance of the April 30, 2008 monthly operating report. These accounting entries affect the April 20, 2008 balance sheet which has been restated above.

**FRONTIER AIRLINES HOLDINGS, INC., ET AL.**  
**MONTHLY OPERATING REPORT**  
**CONDENSED CONSOLIDATED DEBTORS-IN-POSSESSION STATEMENT OF CASH FLOWS**

(In \$U.S. 000's)

	<b>Month Ended May 31, 2008</b>	<b>April 10, 2008 to April 30, 2008</b>	<b>Filing to Date</b>
<b>Cash flows from operating activities:</b>			
Net loss .....	\$ (21,966)	\$ (16,460)	\$ (38,426)
Adjustments to reconcile net loss to net cash used in operating activities:			
ESOP and stock option compensation expense .....	175	119	294
Depreciation and amortization .....	3,789	2,793	6,582
Assets beyond economic repair.....	148	72	220
Mark to market losses (gains) on derivative contracts (1) .....	23,151	(4,853)	18,298
Loss (gain) on disposal of equipment and other assets, net .....	(9,216)	6	(9,210)
Loss on early extinguishment of debt .....	239	-	239
<b>Changes in operating assets and liabilities:</b>			
Restricted investments .....	(8,793)	(12,443)	(21,236)
Receivables .....	(10,131)	483	(9,648)
Security and other deposits .....	(358)	(105)	(463)
Prepaid expenses and other assets.....	(431)	(581)	(1,012)
Inventories .....	(4,517)	(31)	(4,548)
Other assets .....	(3,134)	2,628	(506)
Accounts payable .....	18,248	6,928	25,176
Air traffic liability .....	8,753	4,607	13,360
Other accrued expenses.....	(6,299)	10,909	4,610
Deferred revenue and other liabilities .....	(514)	1,783	1,269
Net cash used in operating activities.....	(10,856)	(4,145)	(15,001)
<b>Cash flows from investing activities:</b>			
Aircraft lease and purchase deposits applied .....	642	-	642
Proceeds from the sale of property and equipment and assets held for sale.....	59,090	113	59,203
Capital expenditures.....	(173)	(3,436)	(3,609)
Net cash (used in) provided by investing activities .....	59,559	(3,323)	56,236
<b>Cash flows from financing activities:</b>			
Extinguishment and principal payments on long-term borrowings .....	(38,433)	-	(38,433)
Net cash used in financing activities.....	(38,433)	-	(38,433)
Increase (decrease) in cash and cash equivalents.....	10,270	(7,468)	2,802
Cash and cash equivalents at beginning of period .....	99,788	107,256	107,256
Cash and cash equivalents at end of period .....	\$ 110,058	\$ 99,788	\$ 110,058

The accompanying notes are an integral part of the financial statements.

**FRONTIER AIRLINES HOLDINGS, INC., ET AL.**  
**NOTES TO MONTHLY OPERATING REPORT**

**1. Background and Organization**

*General* – Frontier Airlines Holdings, Inc. (“Frontier Holdings” or the “Company”) is an international airline carrier ranking as the second largest carrier out of Denver International Airport, with an average of 382 daily system-wide departures and arrivals.

*Chapter 11 Reorganization Cases* – On April 10, 2008 (the “Petition Date”), Frontier Holdings and its two subsidiaries (the “Debtors”) filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Court”). The Debtors continue to operate their businesses as “debtors-in-possession” under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. On April 24, 2008, the Office of the United States Trustee for the Southern District of New York appointed a statutory committee of unsecured creditors.

**2. Basis of Presentation**

*Condensed Consolidated Debtor-in-Possession Financial Statements* – The unaudited financial statements and supplemental information contained herein represent the condensed consolidated financial information for the Debtors. The results of operations for the period from April 11 to April 30, 2008 were estimated based upon estimates that included the use of statistical data, processed revenue, fuel purchases, and a pro-ration of calendar days within the month of April. Amounts presented in the unaudited statement of cash flows for the period from April 11 to April 30, 2008 were estimated based on estimated asset and liability balances as of the filing date and actual balances as of April 30, 2008, as well as the aforementioned estimated results of operations for the period from April 11 to April 30, 2008.

American Institute of Certified Public Accountants Statement of Position 90-7, “Financial Reporting by Entities in Reorganization under the Bankruptcy Code” (“SOP 90-7”), which is applicable to companies in chapter 11, generally does not change the manner in which financial statements are prepared. It does, however, require that the financial statements for periods subsequent to the filing of the chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. The Debtors’ financial statements contained herein have been prepared in accordance with the guidance in SOP 90-7. Further information concerning the Debtors’ accounting policies can be found in the footnotes to our Annual Report on Form 10-K for the period ended March 31, 2008 filed with the United States Securities and Exchange Commission.

The unaudited consolidated financial statements have been derived from the books and records of the Debtors. Certain financial information, however, has not been subject to procedures that typically would be applied to financial information presented in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”), and, upon the application of such procedures (such as tests for asset impairment), the Debtors believe that the financial information will be subject to changes. These changes could be material. The information furnished in this report includes primarily normal recurring adjustments but does not include all of the adjustments that typically would be made for quarterly financial statements in accordance with U.S. GAAP. Certain prepaid balances and pre- and post-petition trade accounts payable balances are subject to further review and reclassification. In addition, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Therefore, this report should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the period ended March 31, 2008 filed with the United States Securities and Exchange Commission.

The results of operations contained herein are not necessarily indicative of results that may be expected from any other period or for the full year, and may not necessarily reflect the consolidated results of operations, financial position and cash flows of the Debtors in the future.

*Intercompany Transactions* – Intercompany transactions between Debtors have been eliminated in the financial statements contained herein.

*Property and Equipment, net* – Recorded at cost net of accumulated depreciation.

**Contractual Interest Expense** – Contractual interest expense represents amounts due under the contractual terms of outstanding debt for the reporting periods, including debt subject to compromise for which interest expense is not recognized in the income statement in accordance with the provisions of SOP 90-7.

**Taxes** – The Debtor accounts for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes,” and recognizes current and deferred income tax assets and liabilities based upon all events that have been recognized in the consolidated financial statements as measured by the enacted tax laws. Due to the Company’s history of operating losses over the past few years, combined with the projection of continued operating losses, a full valuation allowance was established against its deferred tax assets during the tax year ended March 31, 2007. As a result, Frontier Holdings discontinued recognizing income tax benefits for net operating losses and continues to record a full valuation allowance against all deferred tax assets.

The Debtors have received approval to pay pre-petition employee withholding obligations in addition to employment and wage related taxes, sales and use taxes, and certain other taxes due in the normal course of business through certain first day motions. As such, the Debtors have paid such taxes when due.

Further, employee withholding obligations are pre-funded by the Debtors and paid directly by the Debtors’ payroll contractor, Automatic Data Processing, Inc. (“ADP”). Thus, no further information regarding taxes is included in this report.

### 3. Cash Management System & Use of Cash

The Court has entered an order authorizing the Debtors to continue to use their existing cash management system including: (i) investment guidelines; (ii) maintenance of existing bank accounts and business forms; and (iii) the authorization to open and close bank accounts. The Debtors are continuing to collect and disburse cash since the Petition Date using the existing cash management system.

The Company is currently in the process of reviewing debtor in possession financing options. If the Company decides to obtain such financing, it will seek authorization from the Court to enter into certain financing agreements.

### 4. Reorganization Items

SOP 90-7 requires separate disclosure of reorganization items such as realized gains and losses from the settlement of pre-petition liabilities, provisions for losses resulting from the reorganization and restructuring of the business, as well as professional fees directly related to the process of reorganizing the Debtors under Chapter 11. The Debtors’ reorganization items consist of the following:

<i>(In \$U.S. 000’s)</i>	<b>Month ended May 31, 2008</b>	<b>April 11, 2008 to April 30, 2008</b>	<b>Filing to Date</b>
Professional fees directly related to reorganization.....	\$ 2,157	\$ 2,221	\$ 4,378
Other.....	532	310	842
Total reorganization items.....	\$ 2,689	\$ 2,531	\$ 5,220

Professional fees directly related to the reorganization (“Professional Fees”) include fees associated with advisors to the Debtors, the statutory committee of unsecured creditors and certain secured creditors. Other expenses are primarily related to defaulted interest expense. Professional Fees are estimated by the Debtors and will be reconciled to actual invoices when received.

## 5. Liabilities Subject to Compromise

As a result of the Chapter 11 Filings, most pre-petition indebtedness is subject to compromise or other treatment under a plan of reorganization. Generally, actions to enforce or otherwise effect payment of pre-Chapter 11 liabilities are stayed. At hearings held in April 2008, the Court granted final approval of many of the Debtors' "first day" motions covering, among other things, human capital obligations, supplier relations (including fuel supply and fuel contracts), insurance, customer relations, business operations, certain tax matters, cash management, utilities, case management and retention of professionals.

The Debtors have been paying and intend to continue to pay undisputed post-petition claims in the ordinary course of business. In addition, the Debtors may reject pre-petition executory contracts and unexpired leases with respect to the Debtors' operations, with the approval of the Bankruptcy Court. Damages resulting from rejection of executory contracts and unexpired leases are generally treated as general unsecured claims and will be classified as liabilities subject to compromise. Holders of pre-petition claims will be required to file proofs of claims by a bar date to be determined by the court. A bar date is the date by which claims against the Debtors must be filed if the claimants wish to receive any distribution in the Chapter 11 cases. The Debtors will notify all known claimants subject to the bar date of their need to file a proof of claim with the Court. Differences between liability amounts estimated by the Debtors and claims filed by creditors will be investigated and, if necessary, the Court will make a final determination of the allowable claim. The determination of how liabilities will ultimately be treated cannot be made until the Court approves a Chapter 11 plan of reorganization. Accordingly, the ultimate amount or treatment of such liabilities is not determinable at this time.

SOP 90-7 requires pre-petition liabilities that are subject to compromise to be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. The amounts currently classified as liabilities subject to compromise may be subject to future adjustments depending on Court actions, further developments with respect to disputed claims, determinations of the secured status of certain claims, the values of any collateral securing such claims, or other events.

Liabilities subject to compromise consist of the following:

(In \$U.S. 000's)

	<b>May 31, 2008</b>	<b>April 30, 2008</b>
Accounts payable and other accrued expenses .....	\$ 66,954	\$ 71,883
Property tax payable .....	5,724	4,812
Accrued interest expense .....	3,906	5,853
Accrued maintenance events .....	3,157	3,334
Secured aircraft debt.....	531,681	570,114
PDP financing .....	3,139	3,139
Convertible bonds .....	92,000	92,000
Total liabilities subject to compromise.....	\$ 706,561	\$ 751,135

Liabilities subject to compromise includes trade accounts payable related to pre-petition purchases, all of which were scheduled for payment in the post-petition period. As a result, the cash flows from operations were favorably affected by the stay of payment related to these accounts payable.

## 6. Post-petition Accounts Payable

To the best of the Debtors' knowledge, all undisputed post-petition accounts payable have been and are being paid under agreed-upon payment terms. Thus, an accounts payable aging is not included in this report.

## 7. Passenger Facility Charges

Passenger Facility Charges ("PFC") are assessed on the sale of tickets to end customers and are collected by the Company as an agent and remitted to the respective taxing authority. These taxes and fees are recorded as a liability until remitted to the respective taxing authority. As mandated by Federal Regulations for any air carrier that has filed for protection under chapter 11 of the Bankruptcy Code, the Company established a separate reserve account for these funds. The balance of collected PFC funds as of May 31, 2008 and April 30, 2008 was \$5.3 million and \$4.5 million, respectively, and is included in cash and cash equivalents in the condensed and consolidated balance sheet.

## **8. Short-term Investments**

Short-term investments consisted solely of available for sale securities which are invested in auction rate securities (“ARS”). At May 31, 2008, the fair values of our ARS, all of which are collateralized by student loan portfolios (substantially all of which are guaranteed by the United States Government), were estimated through discounted cash flow models. Beginning in March 2008, the auctions for all of the ARS were unsuccessful, resulting in the Company continuing to hold them beyond their typical auction reset dates. As a result of the lack of liquidity in the ARS market, the Company recorded an unrealized loss on those ARS of \$0.3 million, on the principal value of \$8.8 million, which is reflected as accumulated other comprehensive loss in the condensed consolidated balance sheet.