FRONTIER AIRLINES INC /CO/
Form 424B5
December 02, 2005

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File No. 333-128407

$80,000,000

5% CONVERTIBLE DEBENTURES DUE 2025

Interest Payable on June 15 and December 15

Holders may convert the debentures into shares of our common stock at a conversion rate of 96.7352 shares per $1,000 principal amount of debentures (representing a conversion price of approximately $10.34 per share), subject to adjustment, at any time before the close of business on the business day immediately preceding December 15, 2025. In satisfaction of our obligation, except to the extent we elect net share settlement (as described herein), upon conversion of the debentures we will deliver shares of our common stock. "Net share settlement" permits us, upon conversion, to deliver, in lieu of shares of our common stock, a combination of cash and shares of our common stock. The amount of cash and shares of our common stock, if any, that we will deliver upon conversion if we elect net share settlement will be based on a daily conversion value (as described herein) calculated on a proportionate basis for each day of the relevant trading-day observation period.

At any time on or after December 20, 2010, we may redeem any of the debentures for cash at a redemption price of 100% of their principal amount, plus accrued and unpaid interest. Holders may require us to repurchase the debentures for cash at a repurchase price equal to 100% of their principal amount plus accrued and unpaid interest, if any, on December 15, 2010, 2015 and 2020, or at any time prior to their maturity following a designated event, as defined in this prospectus supplement.

If a holder elects to convert its debentures in connection with the occurrence of a fundamental change that occurs prior to December 15, 2010, the holder will be entitled to receive, in addition to a number of shares of common stock (or a combination of cash and shares of common stock if we elect net share settlement) equal to the conversion rate, an additional number of shares of common stock, in each case as described in this prospectus supplement.

The debentures are our senior unsecured debt and will rank equal in right of payment with all of our other existing and future senior unsecured debt. The debentures will effectively rank junior in right of payment to our existing and future secured debt, including our credit facility and our aircraft notes, to the extent of the value of the assets securing such debt. As of September 30, 2005, we had $346.5 million aggregate principal amount of debt outstanding, all of which was secured. See "Description of the Debentures Possible Creation of Parent Holding Company" for a discussion of how the ranking of the debentures would change if we were to create a parent holding company.

For a more detailed description of the debentures, see "Description of the Debentures" beginning on page S-24.

We do not intend to apply for a listing of the debentures on any national securities exchange or for inclusion of the debentures on any automatic quotation system. Our common stock is quoted on the Nasdaq National Market under the symbol "FRNT." On December 1, 2005, the reported last sale price of our common stock on the Nasdaq National Market was $8.27 per share.

Investing in the debentures involves risks. See "Risk Factors" beginning on page S-6.

PRICE 100% AND ACCRUED INTEREST, IF ANY

	Price to Public	***Underwriting Discounts***	***Proceeds to Frontier***
Per Debenture	*100%*	*3.25%*	*96.75%*
Total	*$80,000,000*	*$2,600,000*	*$77,400,000*

We have granted the underwriters the right to purchase up to an additional $12,000,000 principal amount of debentures to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Morgan Stanley & Co. Incorporated expects to deliver the debentures to purchasers on December 7, 2005.

MORGAN STANLEY

CITIGROUP

December 1, 2005

PROSPECTUS SUPPLEMENT

PROSPECTUS

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the prospectus. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. This document may be used only where it is legal to sell these securities. You should not assume that the information in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement. Also, you should not assume that there has been no change in our affairs since the date of this prospectus supplement.

We have not taken any action to permit a public offering of the debentures outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the debentures and the distribution of this prospectus outside of the United States.

In this prospectus, we use the terms "Frontier," "we," "us" and "our" to refer to Frontier Airlines, Inc.

PRESENTATION OF INFORMATION

These offering materials consist of two documents: (1) this prospectus supplement, which describes the terms of the debentures that we are currently offering, and (2) the accompanying prospectus, which provides general information about our debt securities, some of which may not apply to the debentures that we are currently offering. The information in this prospectus supplement replaces any inconsistent information included in the accompanying prospectus.

At varying places in this prospectus supplement and the accompanying prospectus, we refer you to other sections of the documents for additional information by indicating the caption heading of the other sections. The page on which each principal caption included in this prospectus supplement and the accompanying prospectus can be found is listed in the Table of Contents on the preceding page. All cross-references in this prospectus supplement are to captions contained in this prospectus supplement and not in the prospectus, unless otherwise stated.

This prospectus supplement and the accompanying prospectus and the documents incorporated by reference include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which represent our management's beliefs and assumptions concerning future events. When used in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference, forward-looking statements include, without limitation, statements regarding financial forecasts or projections, and our expectations and beliefs, intentions or future strategies that are signified by the words "expects," "plans," "anticipates," "intends" and "believes" or similar language. All forward-looking statements are based upon information available to us on the date such statements are made. We undertake no obligation to update or revise any forward-looking statement after the date of this prospectus supplement, whether as a result of new information, future events or otherwise. Forward-looking statements are subject to a number of factors that could cause actual results to differ materially from our expectations. Additional information concerning these and other factors is contained in this prospectus supplement under the caption "Risk Factors."

SUMMARY

This summary highlights selected information about our company and this offering. This summary is not complete and does not contain all of the information that may be important to you. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the "Risk Factors" section, and the other documents we refer to and incorporate by reference for a more complete understanding of us and this offering. In particular, we incorporate by reference important business and financial information into this prospectus supplement and the accompanying prospectus. Unless otherwise noted, information in this prospectus supplement assumes that the underwriters will not exercise their over-allotment option to purchase additional debentures. Our fiscal year ends March 31.

FRONTIER AIRLINES

Now in our 12th 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, or DIA. We are the second largest jet service carrier at DIA based on departures. As of November 28, 2005, we, in conjunction with Frontier JetExpress operated by Horizon Air Industries, Inc., operated routes linking our Denver hub to 47 U.S. cities spanning the nation from coast to coast and to five cities in Mexico. During the year ended March 31, 2005, we began certain point-to-point routes to Mexico from non-hub cities. As of November 28, 2005, our point-to-point routes consisted of service to Cancun, Mexico directly from four non-hub cities.

We were organized in February 1994 and began flight operations in July 1994 with two leased Boeing 737-200 jets. We have since expanded our fleet in service to 49 jets as of November 28, 2005 (33 of which we lease and 16 of which we own), consisting of 42 Airbus A319s and seven Airbus A318s. In April 2005, we completed our plan to replace our Boeing aircraft with new purchased and leased Airbus jet aircraft. We increased year-over-year seat capacity by 5.7% during the three months ended September 30, 2005, and by 5.9% during the six months ended September 30, 2005. During the three and six months ended September 30, 2005, we increased mainline passenger traffic by 11.6% and 14.5% over the comparable periods in the prior year, outpacing our increase in seat capacity during the period. We intend to continue our growth strategy and will add frequency to new markets and existing markets that we believe are underserved.

In September 2003, we signed a 12-year agreement with Horizon, under which Horizon operates up to nine 70-seat CRJ 700 aircraft under our Frontier JetExpress brand. The service began on January 1, 2004 with three aircraft. We increased Frontier JetExpress aircraft to a total of eight aircraft in service and one spare aircraft as of June 1, 2004. We control the scheduling of this service. We reimburse Horizon for its expenses related to the operation plus a margin. The agreement provides for financial incentives, penalties and changes to the margin based on the performance of Horizon and our financial performance. As of November 28, 2005, Frontier JetExpress provided service to Albuquerque, New Mexico; Boise, Idaho; Billings, Montana; Dayton, Ohio; El Paso, Texas; Fresno, California; Little Rock, Arkansas; Oklahoma City, Oklahoma; Spokane, Washington; Tucson, Arizona; and Tulsa, Oklahoma, and supplements our mainline service to Austin, Texas; Omaha, Nebraska, and San Jose, California. We intend to begin using the ninth aircraft in scheduled service in December 2005.

We currently operate on 16 gates on Concourse A at DIA on a preferential basis. We use these 16 gates and share use of up to four common use regional jet parking positions to operate approximately 230 daily mainline flight departures and arrivals and 50 Frontier JetExpress daily system flight departures and arrivals.

During the six months ended September 30, 2005, we added mainline departures from DIA to Detroit, Michigan; Akron-Canton, Ohio; and San Antonio, Texas, and we added Frontier JetExpress service to Tulsa, Oklahoma; Dayton, Ohio; and Fresno, California.

The United States Department of Transportation, or DOT, has approved our new service to the following Mexican destinations:

Roundtrip Service	Planned Commencement Date	Planned Flight Frequency
DIA to Acapulco, Mexico[(1)]	December 18, 2005	Two times per week
DIA to Cozumel, Mexico	December 17, 2005	One time per week
Kansas City, Missouri to Puerto Vallarta, Mexico	December 17, 2005	Three times per week
Indianapolis, Indiana to Cancun, Mexico	March 6, 2006	Three times per week

(1) Seasonal service only

We have also submitted applications to the DOT for authority to provide point-to-point service for the following routes: Chicago Midway Airport to Cancun, Mexico; and Los Angeles International Airport to Cabo San Lucas, Mexico.

Due to our increased traffic in the first part of fiscal year 2006, we increased frequencies in the following markets: Reno, Nevada; San Jose, San Francisco and Sacramento, California; Nashville, Tennessee; Dallas, Texas; St. Louis, Missouri; Milwaukee, Wisconsin; and Minneapolis-St. Paul, Minnesota. In addition, we expanded the 2005 season for Anchorage, Alaska to January 3, 2006 and added another seasonal frequency from June 19, 2005 to January 3, 2006.

In October 2005, we announced the addition of one daily mainline flight to five of our top destinations as follows: Denver to Salt Lake City from four daily flights to five beginning November 6, 2005; Denver to Dallas from five daily flights to six beginning December 18, 2005; Denver to Phoenix from six daily flights to seven beginning January 4, 2006, Denver to Las Vegas from six daily flights to seven beginning January 4, 2006; and Denver to Chicago Midway Airport from four daily flights to five beginning on January 4, 2006.

From time to time, we increase or decrease frequencies in markets we serve to adjust for seasonal fluctuations in demand. We resumed seasonal service to Ixtapa/Zihuatanejo, Mexico on November 19, 2005, adding an additional weekly frequency from the 2004 season for a total of three round-trip frequencies per week. We also intend to increase service from Denver to Cabo San Lucas and Puerto Vallarta beginning December 17, 2005, with daily service plus an additional Saturday frequency during peak periods to both destinations.

Recently, our service to New Orleans, Louisiana, several cities in Florida and Cancun, Mexico has been disrupted by hurricanes and other extreme weather, impacting our service levels to these destinations and also impacting our revenues and cost of doing business. We discontinued our New Orleans service after Hurricane Katrina, and have reduced our daily departures to Cancun. We also reduced our planned frequency on our new route from DIA to Cozumel, Mexico to one round-trip per week, rather than three. In addition, the two Gulf Coast hurricanes severely damaged crude oil production and refinery capacity in the region. As a result of these disruptions, the cost of jet aviation fuel increased within weeks by nearly $1.00 per gallon and caused fuel shortages at several airports that we serve. Based on the service disruptions and increased jet fuel costs resulting from the Gulf Coast hurricanes, we anticipate a net loss per share for the quarter ending December 31, 2005 that likely will exceed in magnitude the $0.18 net income per diluted share that we recorded in the quarter ended September 30, 2005.

Our filings with the Securities and Exchange Commission 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, current reports on Form 8-K, Section 16 reports on Forms 3, 4 and 5, and any related amendments or other documents, and are made available as soon as reasonably practicable after we file the materials with the SEC. Information contained on our website is not a prospectus and does not constitute part of this prospectus.

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 800-432-1359.

THE OFFERING

Securities Offered	$80,000,000 principal amount of 5% Convertible Debentures due 2025 (plus up to an additional $12,000,000 principal amount of debentures available for purchase by the underwriters to cover over-allotments).
Maturity Date	December 15, 2025.
Interest	5% per annum on the principal amount from the issue date, payable semi-annually in arrears in cash on June 15 and December 15 of each year, beginning June 15, 2006.
Conversion	You may convert any of your debentures, in whole or in part, into shares of our common stock (or a combination of cash and shares of our common stock, if we elect net share settlement) at a conversion rate of 96.7352 shares per $1,000 principal amount of debentures, representing a conversion price of approximately $10.34 per share, subject to adjustment, at any time prior to the close of business on the business day immediately preceding the final maturity date of the debentures. In addition, if you elect to convert your debentures in connection with the occurrence of a fundamental change that occurs prior to December 15, 2010, you will be entitled to receive additional shares of common stock upon conversion in some circumstances as described under "Description of the Debentures Make Whole Amount Upon the Occurrence of a Fundamental Change." Except to the extent we elect net share settlement upon conversion of the debentures (as described below), we will deliver shares of our common stock in satisfaction of our obligation upon conversion of debentures. See "Description of the Debentures Settlement Upon Conversion; Net Share Settlement." In connection with any conversion, we may elect to satisfy our conversion obligation with respect to the principal amount of the debentures to be converted with a combination of cash and shares of our common stock, which we refer to as net share settlement. See "Description of the Debentures Settlement Upon Conversion; Net Share Settlement." Upon any conversion, subject to certain exceptions, you will not receive any cash payment representing accrued and unpaid interest. See "Description of the Debentures Conversion of Debentures."

Ranking	The debentures will be our general, unsecured obligations and will rank effectively junior in right of payment to our existing and future secured debt, including our credit facility and our aircraft notes, to the extent of the value of the assets securing such debt, equal in right of payment with all of our existing and future unsubordinated, unsecured debt and senior in right of payment to any future subordinated debt. We currently have no subsidiaries. The debentures will be structurally subordinated to any liabilities of future subsidiaries. As of September 30, 2005, we had $346.5 million aggregate principal amount of debt outstanding, all of which was secured. The indenture governing the debentures does not limit the amount of debt that we may incur. See "Description of the Debentures Possible Creation of Parent Holding Company" for a discussion of how the ranking of the debentures would change if we were to create a parent holding company.
Redemption	At any time on or after December 20, 2010, we may redeem any of the debentures for cash by giving you at least 30 days' notice. We may redeem the debentures either in whole or in part at a redemption price equal to 100% of the principal amount of the debentures to be redeemed, plus accrued and unpaid interest, if any, up to, but excluding, the redemption date.
Repurchase at the Option of the Holder	You may require us to repurchase all or part of your debentures for cash on December 15, 2010, 2015 and 2020 at a repurchase price equal to 100% of their principal amount. We will pay accrued and unpaid interest, if any, up to, but excluding, the date of repurchase.
Designated Event	If a designated event, as described under "Description of the Debentures Repurchase at Option of the Holder Upon a Designated Event," occurs prior to maturity, you will have the right to require us to purchase all or part of your debentures for cash at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, up to, but excluding, the repurchase date.
Use of Proceeds	We intend to use the net proceeds from the offering to fund working capital and capital expenditures, including capital expenditures related to the purchase and financing of aircraft and expansion of our operations.
Trading	The debentures will be a new issue of securities for which no market currently exists. While the underwriters have informed us that they intend to make a market in the debentures, they are under no obligation to do so and may discontinue such activities at any time without notice. The debentures will not be listed on any securities exchange or included in any automated quotation system. Accordingly, we cannot assure you that any active or liquid market will develop for the debentures.

U.S. Federal Income Tax Considerations	The debentures and the common stock into which the debentures are convertible are subject to special and complex U.S. federal income tax rules. You should consult your tax advisors with respect to the application of the United States federal income tax laws to your own particular situation as well as any tax consequences of the ownership and disposition of the debentures and our common stock arising under the federal estate or gift tax rules or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable treaty. See "Certain U.S. Federal Income Tax Considerations."
Possible Creation of Parent Holding Company	Although we are under no obligation to do so, we may create a holding company to serve as our parent company. See "Description of the Debentures Possible Creation of Parent Holding Company" for a description of how such a transaction would affect the debentures.
Nasdaq National Market Symbol for our Common Stock	FRNT

Risk Factors

See "Risk Factors," immediately following this summary, for a discussion of certain risks relating to our business and an investment in the debentures.

RISK FACTORS

An investment in the debentures involves certain risks. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market or trading price of the debentures and our common stock could decline due to any of these risks, and you may lose all or part of your investment. In addition, please read "Presentation of Information" in this prospectus supplement and "Forward-Looking Statements" in the accompanying prospectus, where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

Risks Related to Frontier

We may not be able to obtain or secure financing for our new aircraft.

As of September 30, 2005, we had commitments to purchase 11 additional new Airbus A319 aircraft, and plans to lease as many as four new Airbus A319 aircraft from third party lessors, over approximately the next two years. We have secured financing commitments for seven of these additional aircraft, including commitments for all of our Airbus deliveries through February 2007. To complete the purchase of the remaining aircraft, we must secure aircraft financing, which we may not be able to obtain on terms acceptable to us, if at all. The amount of financing required will depend on the required down payment on mortgage-financed aircraft and the extent to which we lease as opposed to purchase the aircraft. We are exploring various financing alternatives, including, but not limited to, domestic and foreign bank financing, leveraged lease arrangements or sale/leaseback transactions. There can be no guarantee that additional financing will be available when required or on acceptable terms. Our inability to secure the financing could have a material adverse effect on our cash balances or result in delays in or our inability to take delivery of Airbus aircraft that we have agreed to purchase, which would impair our strategy for long-term growth and could result in the loss of pre-delivery payments and deposits previously paid to the manufacturer, and the imposition of other penalties or the payment of damages for failure to take delivery of the aircraft in accordance with the terms of the purchase agreement with the manufacturer.

We have a significant amount of fixed obligations and we will incur significantly more fixed obligations, which could increase the risk of failing to meet payment obligations.

As of September 30, 2005, our total debt was $346.5 million, and would have been $426.5 million as adjusted for the principal amount of debt incurred in this offering. Maturities of our long-term debt are $21.7 million in fiscal year 2006, $22.9 million in fiscal year 2007, $24.2 million in fiscal year 2008, $26.0 million in 2009, $27.1 million in 2010, and an aggregate of $224.6 million for the years thereafter, or $304.6 million for the years thereafter as adjusted for the principal amount of debt incurred in this offering and assuming no prior conversion or redemption of the debentures. After accounting for the effect of our interest rate derivative hedge, 88.9% of our total existing long-term debt bears floating interest rates and the remaining 11.1% bears fixed rates. In addition to long-term debt, we have a significant amount of other fixed obligations under operating leases related to our aircraft, airport terminal space, other airport facilities and office space. As of September 30, 2005, future minimum lease payments under non-cancelable operating leases were approximately $129.5 million in fiscal year 2006, $131.9 million in fiscal year 2007, $127.5 million in fiscal year 2008, $125.2 million in fiscal year 2009, $118.1 million in fiscal year 2010 and an aggregate of $611.8 million for the years thereafter. Future minimum lease payments include signed lease agreements representing an obligation to lease four aircraft over the next two years, which, subject to the satisfaction of certain contingencies, represent lease payments of $96.5 million in the aggregate. Approximately 88.8% of our minimum lease payments related to aircraft and leased engines are fixed in nature, and the remaining 11.2% are adjusted periodically based on floating interest rates. As of

September 30, 2005, we had commitments of approximately $479.2 million to purchase 11 additional aircraft over approximately the next two years, including estimated amounts for contractual price escalations, spare parts to support these aircraft and to equip the aircraft with LiveTV, and obligations relating to a service agreement with Sabre Travel Network. We expect to incur additional debt or long-term lease obligations as we take delivery of new aircraft and other equipment and continue to expand into new markets.

Many of our financial obligations contain cross-default provisions.

Many of our financial arrangements contain cross-default provisions. As a result, if we default in our payment or performance obligations under one of our financial arrangements and the amount due thereunder is accelerated, other financial arrangements may be declared in default and accelerated even though we are meeting payment and performance obligations on those arrangements. If this occurs we may not have sufficient available cash to pay all amounts that are then due and payable under our lease and loan agreements, and we may have to seek additional debt or equity financing, which may not be available on acceptable terms, or at all. If financing were not available, we would have to sell assets in order to obtain the funds required to make the accelerated payments. The debentures do not have a cross-default provision, so holders of debentures will not be entitled to accelerate payment of the debentures in the event we default under our other financial arrangements.

Our failure to successfully implement our growth strategy could harm our business.

Our growth strategy involves adding up to 15 additional Airbus aircraft, increasing the frequency of flights to markets we currently serve, expanding the number of markets served and increasing flight connection opportunities. It is critical that we achieve our growth strategy in order for our business to attain economies of scale and to sustain or improve our results of operations. Increasing the number of markets we serve depends on our ability to access suitable airports located in our targeted geographic markets in a manner that is consistent with our cost strategy. We may also need to obtain additional gates and other operational facilities at our Denver hub. Any condition that would deny, limit or delay our access to airports we seek to serve in the future will constrain our ability to grow. Additionally, traffic may not materialize in new markets. For example, in April 2004 we began our first significant non-hub point-to-point routes from Los Angeles, California. Due to disappointing loads and yields on these routes, we discontinued these routes by February 2005. Opening new markets requires us to commit a substantial amount of resources, even before the new services commence. Expansion will also require additional skilled personnel, equipment and facilities. An inability to hire and retain skilled personnel or to secure the required equipment and facilities efficiently and cost-effectively may negatively affect our ability to achieve our growth strategy. We cannot assure you that we will be able to successfully expand our existing markets or establish new markets, and our failure to do so could harm our business.

Growth of our fleet and expansion of our markets and services may also strain our existing management resources and systems to the point that they may no longer be adequate to support our operations, requiring us to make significant expenditures in these areas. We may need to further develop our information technology systems and other corporate infrastructure to accommodate future growth, particularly with respect to efficient Internet ticket sales and passenger check-in capabilities. We cannot assure you that we will be able to sufficiently develop our systems and infrastructure on a timely basis, and the failure to do so could harm our business.

We depend heavily on the Denver market to be successful.

Our business strategy has historically focused on adding flights to and from our Denver base of operations. A reduction in our share of the Denver market, increased competition, or reduced passenger traffic to or from Denver could have a material adverse effect on our financial condition and results of operations. In addition, our dependence on a hub system operating out of DIA makes us more susceptible to adverse weather conditions and other traffic delays in the Rocky Mountain region than some of our competitors that may be better able to spread these traffic risks over large route networks.

We face intense competition and market dominance by United Airlines and other airlines at DIA, and Southwest Airlines recently announced service to and from Denver, which will increase competition on certain of our routes.

The airline industry is highly competitive, primarily due to the effects of the Airline Deregulation Act of 1978, which substantially eliminated government authority to regulate domestic routes and fares and increased the ability of airlines to compete with respect to flight frequencies and fares. We compete with United in our hub in Denver, and we anticipate that we will compete with United in any additional markets we elect to serve in the future. United, Ted, and United's regional airline affiliates are the dominant carriers out of DIA, accounting for approximately 56.3% of all revenue passengers in the first nine months of 2005. In addition, Southwest Airlines recently announced that it will start service to and from Denver in January 2006, initially with 13 daily departures four between Denver and Chicago Midway Airport, five between Denver and Las Vegas, and four between Denver and Phoenix. Southwest's introductory fares on these routes were significantly below the fares we were able to obtain prior to their arrival. Fare pressure exerted by Southwest on its announced routes and on any future expansion in Denver by Southwest will require us to be fare competitive, and may place downward pressure on our yields. In addition, in the last three years Alaska Airlines, JetBlue Airways and AirTran Airways have commenced service at DIA. These airlines have offered low introductory fares and compete on several of our routes. Fare wars, predatory pricing, "capacity dumping," in which a competitor places additional aircraft on selected routes, and other competitive activities could adversely affect us. The future activities of United, Southwest and other carriers may have a material adverse effect on our revenues and results of operations.

United currently operates 16 flights a week to Mexico that compete with our current routes to Mexico. United has applied for authorization and has been granted authority to fly from Denver to Cozumel, Mexico, which is a market in which we intend to begin service during the 2005-2006 winter season. Most of our current and potential competitors have significantly greater financial resources, larger route networks, and superior market identity. In addition, United is currently operating under the protection of Chapter 11 of the U.S. Bankruptcy Code. As it seeks to develop a plan of reorganization, United has created a low-cost operation in order to compete more effectively with us and other low-cost carriers. Denver is a hub for its new low-cost operation, which began in February 2004. United's low-cost venture, and United's ability to lower the costs of its mainline operations through the bankruptcy process, including its ability to shed itself of significant financial obligations under its pension plans, may place downward pressure on airfares charged in the Denver market and adversely affect our market share at DIA and our ability to maintain yields required for profitable operations. The uncertainty regarding United's business plan, its ability to restructure under Chapter 11, and the potential for United and Southwest to place downward pressure on airfares charged in the Denver market may impair our ability to maintain yields required for profitable operations.

Competition on our Mexican routes may increase due to recent regulatory changes, which may adversely impact some of our most important markets.

The U.S. and Mexico recently amended their bilateral agreement relating to commercial air service. Previously, only two U.S. based airlines were permitted to provide air service between city pairs in the U.S. and Mexico. In many cases, we were one of the two U.S. based airlines providing service to the cities we serve in Mexico. The recent amendments to the bilateral agreement expanded the authorized service levels to three U.S. based airlines per city pair. It is therefore highly likely that we will see other airlines seeking to add service to some of the Mexico destinations we serve, which would increase competition and perhaps place downward pressure on airfares in these markets. Flights to resort destinations in Mexico have represented a significant portion of our vacation-oriented operations, and if competition results in lower load factors or airfares on our Mexico flights our operating results may be adversely impacted.

We may not have access to adequate gates or airport slots, which could decrease our competitiveness.

The number of gates, ticket counter or office space available to us at DIA, or any other airport where we operate or seek to commence operations in the future, may be limited due to the lack of available space or disruptions caused by airport renovation projects. Available facilities may not provide for the best overall service to our customers, and may prevent us from scheduling our flights during peak or opportune times. The lack of available facilities may limit our ability to expand service to certain cities or restrict our ability to plan departures and arrivals in a manner that provides efficient service or connecting times to and through our Denver hub. Inefficient operations may result in a reduction in passenger bookings or lost revenue.

We currently have access to a sufficient number of gates and other facilities at DIA to accommodate our level of service, but we may not be able to maintain rights to all of the gates we currently use. We are negotiating final terms and conditions for the permanent lease of two gates we use at DIA that were previously occupied by United and have been returned to the airport. If we cannot agree on final terms, the airport will take back control of these gates, and we may need to alter our overall flight schedules over the remaining gates in a manner that will increase connecting times for our passengers connecting through DIA. This change in flight schedules could result in a decrease in passenger bookings and a loss of revenue from connecting traffic.

In the U.S., the Federal Aviation Administration, or FAA, currently regulates slot allocations at O'Hare International Airport in Chicago, JFK and LaGuardia Airports in New York City, and Ronald Reagan National Airport in Washington D.C. John Wayne Airport in Orange County also limits arrivals and departures at its airport for noise control purposes. We currently operate at LaGuardia Airport, Ronald Reagan National Airport and John Wayne Airport through arrival and departure slots at these airports. In each case, the agencies controlling slot allocations reserve the right to recall slot allocations for, among other reasons, lack of meeting frequency or capacity requirements. If we lose existing slot allocations, are denied requests for additional slot allocations at these airports, or are denied slot allocations at other slot-controlled airports where we wish to operate in the future, our ability to provide service would be restricted, eliminated, or reduced. As these cities represent key markets, the resulting restriction on our service could negatively effect our results of operations.

We experience high costs at DIA, which may impact our results of operations.

We operate our hub of flight operations from DIA where we experience high costs. Financed through revenue bonds, DIA depends on landing fees, gate rentals, income from airlines, the traveling public, and other fees to generate income to service its debt and to support its operations. Our cost of operations at DIA will vary as traffic increases or diminishes at that airport. We believe that our operating costs at DIA substantially exceed those that other airlines incur at most hub airports in other cities, which decreases our ability to compete with other airlines with lower costs at their hub airports. In addition, United, currently operating under the protection of Chapter 11 of the Bankruptcy Code, represents a significant tenant at DIA. At this time, United and DIA have completed negotiations relating to the restructuring of its lease agreement in a fashion that reduces the amounts United is required to pay under its lease. Normally, the decrease in payments by United would result in the increase in amounts paid by all other airlines. At this time, however, the City and County of Denver has agreed to offset the decrease in payments negotiated by United. The City's obligation to make these offset payments is subject to rescission in certain circumstances. If these payments are rescinded, if the renegotiated lease is not approved under United's final plan of reorganization, or if United otherwise significantly reduces operations at DIA, our overall costs at DIA may significantly increase.

Our all-Airbus fleet creates risks.

We currently operate 49 Airbus aircraft. We completed our transition from Boeing aircraft to operating only Airbus aircraft in April 2005. One of the key elements of this strategy is to produce 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. However, during our transition period we had additional costs associated with retraining our Boeing crews in the Airbus aircraft, and we cannot assure you that we will achieve all of the cost savings we anticipated from the fleet transition.

Since we operate only Airbus aircraft and GE engines, we are dependent on single manufacturers for future aircraft acquisitions or deliveries, spare parts or warranty service. If Airbus is unable to perform its obligations under existing purchase agreements, or is unable to provide future aircraft or services, whether by fire, strike or other events that affect its ability to fulfill contractual obligations or manufacture aircraft or spare parts, we would have to find another supplier for our aircraft. If acceptable Airbus aircraft were otherwise not available in the marketplace, Boeing is the only other manufacturer from which we could purchase or lease alternate aircraft. If we were forced to acquire Boeing aircraft, we would need to address fleet transition issues, including substantial costs associated with retraining our employees, acquiring new spare parts, and replacing our manuals. In addition, the fleet efficiency benefits described above may no longer be available.

We also are particularly vulnerable to any problems that might be associated with the Airbus aircraft or GE engines. Our business would be significantly disrupted if an FAA airworthiness directive or service bulletin were issued resulting in the grounding of Airbus aircraft or GE engines of the type we operate while the defect is being corrected. Our business could also be harmed if the public avoids flying Airbus aircraft due to an adverse perception about the aircraft's safety or dependability, whether real or perceived, in the event of an accident or other incident involving an Airbus aircraft of the type we fly.

We are reliant on one vendor to provide our LiveTV service.

One of the unique features of our Airbus fleet is that every seat in each of our Airbus aircraft is equipped with LiveTV. LiveTV is provided by a subsidiary of JetBlue Airways, a competitor of ours. We do not know of any other company that could provide us with LiveTV equipment and related satellite signals for programming. Our recent LiveTV installations have exceeded the number of installations provided for in our contract with the supplier of LiveTV, and although we have had discussions with the supplier about expanding the number of aircraft covered by the contract, we have not finalized the terms of an expanded agreement. If the supplier of LiveTV were to stop supplying us with the equipment or service for any reason, or refused to supply equipment for our future aircraft deliveries, we could lose one of the unique services that we believe differentiates us from our competitors.

Our maintenance expenses may be higher than we anticipate and will increase as our fleet ages.

We bear the cost of all routine and major maintenance on our owned and leased aircraft. Maintenance expenses comprise a significant portion of our operating expenses. In addition, we are required periodically to take aircraft out of service for heavy maintenance checks, which can increase costs and reduce revenue. We also may be required to comply with regulations and airworthiness directives the FAA issues, the cost of which our aircraft lessors may only partially assume depending upon the magnitude of the expense. Although we believe that our owned and leased aircraft are currently in compliance with all FAA issued airworthiness directives, additional airworthiness directives likely will be required in the future, necessitating additional expense.

Because the average age of our aircraft is approximately 2.3 years, our aircraft require less maintenance now than they will in the future. We have incurred lower maintenance expenses because most of the parts on our aircraft are under multi-year warranties. Our maintenance costs will increase significantly, both on an absolute basis and as a percentage of our operating expenses, as our fleet ages and these warranties expire.

We may need to make other arrangements for our maintenance facility.

We currently sublease a substantial part of a maintenance hangar located at DIA from Continental Airlines. We use this facility to perform our heavy maintenance and some of our line maintenance. The sublease expires in February 2007. If we are not able to extend this lease or otherwise reach agreement with Continental, we may be forced to locate alternative maintenance facilities, which may or may not be at DIA, or construct a new maintenance facility. The inability to procure a new maintenance facility in a timely fashion may cause us to outsource some or all of our maintenance activities, thereby increasing our overall maintenance costs. Further, the lease or financing costs of a new facility may be higher than those in our current sublease with Continental.

Our landing fees may increase because of local noise abatement procedures.

As a result of litigation and pressure from residents in the areas surrounding airports, airport operators have taken actions over the years to reduce aircraft noise. These actions have included regulations requiring aircraft to meet prescribed decibel limits by designated dates, curfews during nighttime hours, restrictions on frequency of aircraft operations, and various operational procedures for noise abatement. The Airport Noise and Capacity Act of 1990 recognized the right of airport operators with special noise problems to implement local noise abatement procedures as long as the procedures do not interfere unreasonably with the interstate and foreign commerce of the national air transportation system. Compliance with local noise abatement procedures may lead to increased landing fees.

An agreement between the City and County of Denver and another county adjacent to Denver specifies maximum aircraft noise levels at designated monitoring points in the vicinity of DIA with significant payments payable by Denver to the other county for each substantiated noise violation under the agreement. DIA has incurred these payment obligations and likely will incur such obligations in the future, which it will pass on to us and other air carriers serving DIA by increasing landing fees. Additionally, noise regulations could be enacted in the future that would increase our expenses and could have a material adverse effect on our operations.

Unionization affects our costs and may affect our operations.

Three of our employee groups have voted for union representation: our pilots, dispatchers, and mechanics. In addition, since 1997 we have had union organizing attempts that were defeated by our flight attendants, ramp service agents, and stock clerks. In September 2003, we renegotiated the collective bargaining agreement with our dispatchers. This contract will remain in effect until September 2006. We are also in the final stages of negotiating a new collective bargaining agreement with our mechanics. The previous agreement expired in July 2005. If approved by the members, the contract with the mechanics' union would be in effect for three years. The collective bargaining agreement with our pilots union expired in May 2005. We are currently working to negotiate a replacement contract.

If we are unable to reach agreement with any of the represented work groups whose contracts are currently being negotiated, or if currently non-unionized employees were to unionize and we were unable to reach agreement on the terms of their employment, we may need to go to mediation and may experience widespread employee dissatisfaction. We could be subject to work slowdowns or stoppages. In addition, we may be subject to disruptions by organized labor groups protesting certain groups for their non-union status or conducting sympathy action for fellow members striking at other airlines. Any of these events would be disruptive to our operations and could harm our business.

Our limited marketing alliances could harm our business.

Many airlines have marketing alliances with other airlines, under which they market and advertise their status as marketing alliance partners. Among other things, they share the use of two-letter flight designator codes to identify their flights and fares in the computerized reservation systems and permit reciprocity in their frequent flyer programs. We do not have the significant network of marketing partners that many other airlines do. Our alliance with Virgin Atlantic Airways, our only current international program partner, expires on December 31, 2005, and may not be renewed thereafter. Our limited marketing alliances put us at a competitive disadvantage to global network carriers, whose ability to attract passengers through more widespread alliances, particularly on international routes, may adversely affect our passenger traffic and our results of operations.

Our lack of higher borrowing capacity under our current lines of credit and lack of other borrowing facilities makes us highly dependent upon our existing cash and operating cash flows.

Airlines require substantial liquidity to operate. We have a line of credit with a maximum borrowing amount of $13.0 million based on 50% of the value of certain spare parts inventory. As of September 30, 2005, based on our eligible spare parts inventory, we could borrow up to $10.2 million, which was reduced by letters of credit issued of $6.5 million. We also have an additional revolving line of credit for $5.0 million, and we can issue letters of credit for up to $3.5 million, $1.2 million of which had been issued as of September 30, 2005. Our limited borrowing capacity means we rely primarily on operating cash flows to provide working capital. Unless we secure additional borrowing capacity under lines of credit, borrowing facilities or other financing, we will be dependent upon our existing cash and operating cash flows to fund our operations and to make scheduled payments on our debt and other fixed obligations. If we deplete our existing cash, fail to generate sufficient funds from operations to meet these cash requirements and are unable to secure a line of credit, borrowing facility or other financing, we could default on our debt and other fixed obligations. Our inability to meet our obligations as they become due would seriously harm our business and financial results, particularly, as discussed earlier, in light of the cross-default clauses contained in many of our financing arrangements.

If we are unable to attract and retain qualified personnel at reasonable costs, our business will be harmed.

Our business is labor intensive, with labor costs totaling $108.5 million for the six months ended September 30, 2005 and $203.4 million for the year ended March 31, 2005. We expect salaries, wages and benefits to increase on a gross basis. These costs could increase as a percentage of our overall costs, which could harm our business. Our growth plans will require us to hire, train and retain a significant number of new employees in the future. From time to time, the airline industry has experienced a shortage of personnel licensed by the FAA, especially pilots and mechanics. We compete against the major U.S. airlines for labor in these highly skilled positions. Many of the major U.S. airlines offer wage and benefit packages that exceed our wage and benefit packages. As a result, in the future, we may have to increase significantly wages and benefits in order to attract and retain qualified personnel or risk considerable employee turnover. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to complete our growth plans and our business could be harmed.

We rely heavily on automated systems and technology to operate our business and any failure of these systems could harm our business.

We are increasingly dependent on automated systems and technology to operate our business, enhance customer service and achieve low operating costs, including our computerized airline reservation system, telecommunication systems, website, check-in kiosks and in-flight entertainment systems. Substantial or repeated system failures to any of the above systems could reduce the attractiveness of our services and could result in our customers purchasing tickets from another airline. Any disruptions in these systems could result in the loss of important data, increase our expenses and generally harm our business.

In addition, a seemingly high percentage of customers have been booking flights on our airline through third-party websites, which has increased our distribution costs and required us to increase staffing levels in our reservations offices. If any of these third-party websites experiences system failures or discontinues listing our flights on its systems, our bookings and revenues may be adversely impacted.

We implement improvements to our website and reservations system from time to time. Implementation of changes to these systems may cause operational and financial disruptions if we experience transition or system cutover issues, if the new systems do not perform as we expect them to, or if vendors do not deliver systems upgrades or other components on a timely basis. For example, we experienced systems cutover problems when we implemented major revisions to our reservation system and website in February 2005. Any such disruptions may have the effect of discouraging some travelers from purchasing tickets from us.

Risks Associated with the Airline Industry

The airline industry has incurred significant losses resulting in airline restructuring and bankruptcies, which could result in changes in our industry.

Financial losses throughout the airline industry in recent years have resulted in airlines renegotiating or attempting to renegotiate labor contracts, reconfiguring flight schedules, furloughing or terminating employees, and taking other efficiency and cost-cutting measures. Despite these actions, several airlines have sought reorganization under Chapter 11 of the U.S. Bankruptcy Code, which permits them to reduce labor rates, restructure debt, terminate pension plans and generally reduce their cost structure. Such factors may have a greater impact during time periods when the industry encounters continued financial losses, as airlines under financial pressures may institute pricing structures to achieve near-term survival rather than long-term viability. It is foreseeable that further airline reorganizations, bankruptcies, or consolidations may occur, the effects of which we are unable to predict. We cannot assure you that the occurrence of these events, or potential changes resulting from these events, will not harm our business or the industry.

We may be subject to terrorist attacks or other acts of war and increased costs or reductions in demand for air travel due to hostilities in the Middle East or other parts of the world.

On September 11, 2001, four commercial aircraft were hijacked by terrorists and crashed into The World Trade Center in New York City, the Pentagon in Northern Virginia and a field in Pennsylvania. These terrorist attacks resulted in an overwhelming loss of life and extensive property damage. Immediately after the attacks, the FAA closed U.S. airspace, prohibiting all flights to, from and within the United States of America. Airports reopened on September 13, 2001, except for Washington D.C. Ronald Reagan International Airport, which partially reopened on October 4, 2001.

The September 11 terrorist attacks and the war in Iraq created fear among consumers and resulted in significant negative economic impacts on the airline industry. Primary effects were substantial loss of revenue and flight disruption costs, increased security and insurance costs, increased concerns about the potential for future terrorist attacks, airport shutdowns and flight cancellations and delays due to additional screening of passengers and baggage, security breaches and perceived safety threats, and significantly reduced passenger traffic and yields due to the subsequent drop in demand for air travel.

Given the magnitude and unprecedented nature of the September 11 attacks, the uncertainty and fear of consumers resulting from the war in Iraq, and the potential for other hostilities in other parts of the world, it is uncertain what long-term impact these events will or could have on the airline industry in general and on us in particular. These factors could affect our operating results and financial condition by creating weakness in demand for air travel, increased costs due to new security measures and the potential for new or additional government mandates for security related measures, increased insurance premiums, increased fuel costs, and uncertainty about the continued availability of war risk coverage or other insurances. In addition, several plaintiffs filed lawsuits in the United States District Court, Southern District of New York based on the events of September 11, 2001. The complaints name as defendants various security system manufacturers and suppliers and several airlines that were operating at Boston Logan International Airport and Portland (Maine) International Jetport on September 11, 2001, including us. The complaints generally allege that the defendants failed to provide adequate security systems or supervision of security procedures at Logan Airport and Portland Jetport. At this time, we have been dismissed from all existing lawsuits, but it is possible for plaintiffs to file new complaints against us until the statute of limitations period expires.

In addition, although the entire industry is substantially enhancing security equipment and procedures, it is impossible to guarantee that additional terrorist attacks or other acts of war will not occur. Given the weakened state of the airline industry, if additional terrorist attacks or acts of war occur, particularly in the near future, it can be expected that the impact of those attacks on the industry may be similar in nature to but substantially greater than those resulting from the September 11 terrorist attacks.

Increases in fuel costs affect our operating costs and competitiveness.

Fuel is a major component of our operating expenses, accounting for 30.3% of our total mainline operating expenses for the six months ended September 30, 2005, up from 22.9% for the six months ended September 30, 2004. On an actual basis, fuel costs including the impact of hedging increased to $130.7 million, representing an average cost of $1.86 per gallon, from $84.7 million, or $1.27 per gallon, over the same periods. Both the cost and availability of fuel are influenced by many economic and political factors and events occurring in oil-producing countries throughout the world, and fuel costs fluctuate widely. Recently the price per barrel of oil has been at an all-time high and has significantly impacted our results of operations. In addition, recent hurricanes in the Gulf of Mexico have disrupted oil supplies and the capacity output of refineries located along the Gulf Coast. We cannot predict our future cost and availability of fuel, or the impact or further disruptions in oil supplies or refinery productivity based on natural disasters, which affects our ability to compete. The unavailability of adequate fuel supplies could have a material adverse effect on our operations and profitability. In addition, larger airlines may have a competitive advantage because they pay lower prices for fuel. We generally follow industry trends by imposing a fuel surcharge in response to significant fuel price increases. However, our ability to pass on increased fuel costs may be limited by economic and competitive conditions. Although we implemented a fuel hedging program in 2003, under which we enter into Gulf Coast jet fuel and West Texas Intermediate crude derivative contracts to partially protect against significant increases in fuel prices, this program is limited in fuel volume and duration. As of September 30, 2005, we had hedged approximately 20% of our projected fuel requirements for the quarter ending December 31, 2005. We have no fuel hedges in place after December 31, 2005. Other airlines, such as Southwest Airlines, may have substantial fuel hedges that give them a competitive advantage.

The airline industry is seasonal and cyclical, resulting in unpredictable liquidity and earnings.

Because the airline industry is seasonal and cyclical, our liquidity and earnings will fluctuate and be unpredictable. Our operations primarily depend on passenger travel demand and seasonal variations. Our weakest travel periods are generally during the quarters ending in March and December. The airline industry is also a highly cyclical business with substantial volatility. Airlines frequently experience short-term cash requirements. These requirements are caused by seasonal fluctuations in traffic, which often reduce cash during off-peak periods, and various other factors, including price competition from other airlines, national and international events, fuel prices, and general economic conditions including inflation. Our operating and financial results are likely to be negatively impacted by the continued stagnation in national or regional economic conditions in the U.S., and particularly in Colorado.

Security screening delays may negatively impact passenger traffic.

The federal government is now responsible for conducting security screening activities at all airports in the U.S. The ability to complete this screening quickly and efficiently depends upon the adequacy of the security screening facilities and staffing levels. At times the screening system has resulted in significant delays at larger airports. It is believed that these delays have resulted in a loss of passengers for shorter haul trips. While we have not seen a drastic reduction in passenger traffic in our shorter routes, at times congestion and delays at DIA from security screening are significant. Airlines may be able to augment security services in not vital areas by hiring support staff, which will further increase the security costs being paid by the airlines. Notwithstanding such support, significant delays caused by a lack of federal resources may further reduce passenger traffic and our revenues.

Our insurance costs have increased as a result of the September 11th terrorist attacks, and further increases in insurance costs would harm our business.

Following the September 11 terrorist attacks, aviation insurers dramatically increased airline insurance premiums and significantly reduced the maximum amount of insurance coverage available to airlines for liability to persons other than passengers for claims resulting from acts of terrorism, war or similar events to $50 million per event and in the aggregate. In light of this development, under the Air Transportation Safety and System Stabilization Act, the U.S. government has provided domestic airlines with excess war risk coverage above $50 million up to an estimated $1.6 billion per event for us.

In December 2002, under the Homeland Security Act of 2002, the U.S. government expanded its insurance program to permit airlines to elect either the government's excess third-party coverage or for the government to become the primary insurer for all war risks coverage. We elected the latter in February 2003 and discontinued the commercially available war risk coverage. The Appropriations Act authorized the government to offer both policies through August 31, 2004. Since then, Congress has further extended the government's mandate to provide war risk insurance on multiple occasions, most recently through December 31, 2005, at the discretion of the Secretary of Transportation. We cannot assure you that this coverage will continue. We expect that if the government stops providing war risk coverage to the airline industry, the premiums charged by aviation insurers for this coverage will be substantially higher than the premiums currently charged by the government. Significant increases in insurance premiums would harm our financial condition and results of operations.

Our financial results and reputation could be harmed in the event of an accident or incident involving our aircraft.

An accident or incident involving one of our aircraft could involve repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service, and significant potential claims of injured passengers and others. We are required by the DOT and our lenders and lessors to carry hull, liability and war risk insurance. Although we believe we currently maintain liability insurance in amounts and of the type generally consistent with industry practice, the amount of such coverage may not be adequate and we may be forced to bear substantial losses from an accident. Substantial claims resulting from an accident in excess of our related insurance coverage would harm our business and financial results. Moreover, any aircraft accident or incident, even if fully insured, could cause a public perception that we are less safe or reliable than other airlines, which would harm our business.

We are in a high fixed cost business, and any unexpected decrease in revenues would harm us.

The airline industry is characterized by low profit margins and high fixed costs primarily for personnel, fuel, aircraft ownership and lease costs and other rents. The expenses of an aircraft flight do not vary significantly with the number of passengers carried and, as a result, a relatively small change in the number of passengers or in pricing would have a disproportionate effect on the airline's operating and financial results. Accordingly, a shortfall from expected revenue levels can have a material adverse effect on our profitability and liquidity. Airlines are often affected by factors beyond their control, including weather conditions, traffic congestion at airports and increased security measures, and irrational pricing from competitors, any of which could harm our operating results and financial condition.

Delays or cancellations due to adverse weather conditions or other factors beyond our control could adversely affect us.

Like other airlines, we are subject to delays caused by factors beyond our control, including adverse weather conditions, air traffic congestion at airports and increased security measures. Delays frustrate passengers, reduce aircraft utilization and increase costs, all of which negatively affect profitability. During periods of snow, rain, fog, hurricanes or other storms, or other adverse weather conditions, flights may be cancelled or significantly delayed. Cancellations or delays due to weather conditions, traffic control problems and breaches in security could harm our operating results and financial condition.

Recently, we have suffered from the effects of hurricanes on the Gulf Coast and resort areas along the Yucatan Peninsula and the Riviera Maya. These hurricanes disrupted our ability to serve Cancun, Mexico, and the destruction or damage to hotels and resorts severely impacted tourist demand. Flights to resort destinations in Mexico have represented a significant portion of our vacation-oriented operations. Prior to Hurricane Wilma, we anticipated operating 232 departures to Cancun, Mexico from our various originating cities during the calendar quarter ending December 31, 2005. Due to the effects of Hurricane Wilma, we are now intending to operate only 148 departures to Cancun, Mexico during the quarter. In addition, we announced new service to Cozumel, Mexico commencing December 17, 2005. Initially, we intended to fly three flights per week. Given the damage to resort destinations in Cozumel, we have reduced our planned flights to once per week. We cannot predict when the resorts damaged by Hurricane Wilma will be repaired or when tourist demand for these locations will return. In the interim, the disruption in service has reduced the profitability of our Mexico operations and we cannot guarantee that future operations to Mexico or any other destinations we serve will not also be interrupted by hurricanes or other significant natural disasters.

We are subject to strict federal regulations, and compliance with federal regulations increases our costs and decreases our revenues.

Airlines are subject to extensive regulatory and legal requirements that involve significant compliance costs. Any future changes in regulatory oversight of airlines generally, or low-fare carriers in particular, could result in a material increase in our operating expenses or otherwise hinder our business. In the last several years, Congress has passed laws and the DOT and FAA have issued regulations relating to the operation of airlines that have required significant expenditures. For example, the President signed into law the Stabilization Act in November 2001. This law federalized substantially all aspects of civil aviation security and requires, among other things, the implementation of certain security measures by airlines and airports, including a requirement that all passenger baggage be screened. Funding for airline and airport security under the law is primarily provided by a $2.50 per enplanement ticket tax effective February 1, 2002, with authority granted to the TSA to impose additional fees on air carriers if necessary. Under the Appropriations Act enacted on April 16, 2003, the $2.50 enplanement tax was temporarily suspended on ticket sales from June 1, 2003 through September 30, 2003. This enplanement tax resumed on October 1, 2003, and recent legislation, although unsuccessful to date, considered increasing the ticket tax to $5.00 per enplanement. To the extent this increase could not be passed on to the passenger, it would result in a significant increase in our cost of operations. In addition, the acquisition, installation and operation of the required baggage screening systems by airports will result in capital expenses and costs by those airports that will likely be passed on to the airlines through increased use and landing fees. On February 17, 2002, the Stabilization Act imposed a base security infrastructure fee on commercial air carriers in an amount equal to the calendar year ended 2000 airport security expenses. The infrastructure fee for us is $1,625,000 annually subject to final audit. In 2004, the TSA announced that the fee structure would remain in place until further notice. A revision in the fee structure assessed by the TSA could result in increased cost for us.

Although we have obtained the necessary authority from the DOT and the FAA to conduct flight operations and are currently obtaining such authority from the FAA with respect to our Airbus aircraft, we must maintain this authority by our continued compliance with applicable statutes, rules, and regulations pertaining to the airline industry, including any new rules and regulations that may be adopted in the future. We believe that the FAA strictly scrutinizes smaller airlines like ours, which makes us susceptible to regulatory demands that can negatively impact our operations. We may not be able to continue to comply with all present and future rules and regulations. In addition, we cannot predict the costs of compliance with these regulations and the effect of compliance on our profitability, although these costs may be material. We also expect substantial FAA scrutiny as we transition from our Boeing fleet to an all-Airbus fleet. An accident or major incident involving one of our aircraft would likely have a material adverse effect on our business and results of operations.

Risks Related to this Offering

The debentures will effectively rank junior in right of payment to our secured debt.

The debentures will be our general, unsecured obligations and will effectively rank junior in right of payment to our existing and future secured debt, including our aircraft notes and credit facility, to the extent of the value of the assets securing such debt. The debentures will be equal in right of payment with all of our existing and future unsubordinated, unsecured debt and senior in right of payment to any future subordinated debt. We currently have no subsidiaries; however, the debentures will be structurally subordinated to any liabilities of future subsidiaries. As of September 30, 2005, we had $346.5 million aggregate principal amount of debt outstanding, all of which was secured. In addition, almost all of the assets that we own secure some portion of our debt. We typically finance our aircraft through either secured debt or lease financing. As a result, we expect that going forward a substantial portion of our total debt, other than the debentures, will continue to be secured and almost all of the assets that we own will secure some portion of our debt.

There is no public market for the debentures, which could limit their market price or your ability to sell them for an amount equal to or higher than their initial offering price.

The debentures are a new issue of securities for which there currently is no trading market. While the underwriters intend to make a market for the debentures, they are not obligated to do so and may terminate market making activities at any time. As a result, we cannot assure you that a liquid market will develop for the debentures. If any of the debentures are traded after their initial issuance, they may trade at a discount from their initial offering price. Future trading prices of the debentures will depend on many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition, performance and prospects.

We may not have the funds necessary to finance the repurchase of the debentures or may otherwise be restricted from making such repurchases if required by holders pursuant to the indenture.

On December 15, 2010, 2015 and 2020, or in the event of a "designated event" under the indenture, holders may require us to repurchase their debentures for cash at a price of 100% of the principal amount of the debentures, plus accrued and unpaid interest to the repurchase date. However, it is possible that we will not have sufficient funds available at such time to make the required repurchase of debentures. In addition, any future credit agreements or other agreements relating to our or our affiliates' indebtedness could contain provisions prohibiting our repurchase of the debentures under certain circumstances, or could provide that a designated event constitutes an event of default under that agreement. If any agreement governing our indebtedness prohibits or otherwise restricts us from repurchasing the debentures when we become obligated to do so, we could seek the consent of the lenders to repurchase the debentures or attempt to refinance this debt. If we do not obtain such a consent or refinance the debt, we would not be permitted to repurchase the debentures without potentially causing a default under this debt. Our failure to repurchase tendered debentures would constitute an event of default under the indenture, which might constitute a default under the terms of our other indebtedness.

The market price of our common stock may be volatile, which could cause the value of your investment in Frontier to decline.

The debentures will be convertible into shares of our common stock, and therefore we expect that the trading price of our common stock will significantly affect the trading price of the debentures. The market price of our common stock historically has experienced and may continue to experience high volatility, and the broader stock market has experienced significant price and volume fluctuations in recent years. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the price of our common stock. Any of the following factors could affect the market price of our common stock:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- our failure to meet financial analysts' performance expectations;
- changes in fuel prices; and
- changes in market valuations of other airlines.

In addition, many of the risks described elsewhere in this "Risk Factors" section could materially and adversely affect our stock price. Also, the sale of substantial amounts of our common stock could adversely impact its price. As of November 25, 2005, we had 4,756,550 shares of our common stock reserved for issuance under our equity incentive plans, of which 2,526,550 shares were subject to outstanding options with a weighted-average exercise price of $11.10 per share, 169,620 shares were subject to outstanding stock-only stock appreciation rights and 75,891 shares were subject to outstanding restricted stock units. We also had 3,833,946 shares of common stock reserved for issuance under existing warrants with an exercise price of $5.92 per share. The sale or the availability for sale of a large number of shares of our common stock in the public market could adversely affect the price of our common stock.

Holders of debentures will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to our common stock.

Holders of debentures will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but will be subject to all changes affecting the common stock. Holders of debentures will only be entitled to rights on the common stock if and when we deliver shares of common stock upon conversion of their debentures and in limited cases under the anti-dilution adjustments of the debentures. For example, if an amendment is proposed to our articles of incorporation or by-laws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs before delivery of the common stock upon conversion of the debentures, holders of debentures will not be entitled to vote on the amendment, although they will nevertheless be subject upon conversion of their debentures to any changes in the powers, preferences or special rights of our common stock.

The conversion rate of the debentures may not be adjusted for all dilutive events that may occur.

The conversion rate of the debentures is subject to adjustment for certain events including, but not limited to, the issuance of stock dividends on shares of our common stock, the issuance of certain rights or warrants, subdivisions or combinations of shares of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain issuer tender or exchange offers a described under "Description of the Debentures Conversion Rate Adjustments." The conversion rate will not be adjusted for other events, such as stock issuances for cash, that may adversely affect the trading price of the debentures or the common stock or for third-party tender offers. See "Description of the Debentures Conversion Rate Adjustments." We are not restricted from issuing additional common stock during the life of the debentures and have no obligation to consider the interests of holders of the debentures in deciding whether to issue common stock. There can be no assurance that an event that adversely affects the value of the debentures, but does not result in an adjustment to the conversion rate, will not occur.

Upon conversion of the debentures, you may receive lower proceeds than expected because the value of our common stock may decline after you exercise your conversion right.

Under the debentures, a converting holder will be exposed to fluctuations in the value of our common stock during the period from the date such holder tenders debentures for conversion until the date we settle our conversion obligation. Under the debentures, if we elect net share settlement, the conversion value that you will receive upon conversion of your debentures is in part determined by the volume-weighted average prices of our common stock for a 20-day trading period. As described under "Description of the Debentures Settlement Upon Conversion; Net Share Settlement," all or a portion of this period will occur after the date on which your debentures are tendered for conversion. Accordingly, if the price of our common stock decreases during this period, the conversion value you receive may be adversely affected. In addition, if we elect net share settlement and the market price of our common stock at the end of such 20-trading day period is below the volume-weighted average price of our common stock during such period, the value of the shares of our common stock that you will receive after such period is completed will be less than had you received the shares on an earlier date.

The make whole amount payable on debentures converted in connection with certain fundamental changes defined in the indenture may not adequately compensate you for the lost option time value of your debentures as a result of such transaction.

If certain transactions that constitute a fundamental change occur on or prior to December 15, 2010, under certain circumstances, we will increase, for the time period described herein, the conversion rate by a number of additional shares for any conversions of debentures in connection with such transaction. The number of additional shares will be determined based on the date on which the fundamental change becomes effective and the price paid per share of our common stock in the transaction constituting a fundamental change, as described below under "Description of the Debentures Make Whole Amount Upon the Occurrence of a Fundamental Change." While the number of additional shares is designed to compensate you for the lost option time value of your debentures as a result of such transaction, the make whole amount is only an approximation of such lost value and may not adequately compensate you for such loss. In addition, if such transaction occurs after December 15, 2010, or if the stock price of our common stock on the conversion date is less than $8.27 or greater than $50.00, the conversion rate will not be increased. Our obligation to deliver the additional shares upon a fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Other companies may have difficulty acquiring us, even if doing so would benefit our shareholders, due to provisions under our corporate charter, bylaws, shareholder rights agreement and option plans, as well as Colorado law.

Provisions in our restated articles of incorporation, our amended and restated bylaws and our shareholder rights agreement, as amended, and under Colorado law could make it more difficult for other companies to acquire us, even if doing so would benefit our shareholders. Our restated articles of incorporation and amended and restated bylaws contain the following provisions, among others, which may inhibit an acquisition of our company by a third party:

- a limitation on who may call shareholder meetings;
- a prohibition on shareholder action by written consent (except that unanimous written consent is permitted); and
- the ability of our board of directors to issue up to 1,000,000 shares of preferred stock without a shareholder vote.

The issuance of stock under our shareholder rights agreement could delay, deter or prevent a takeover attempt that shareholders might consider in their best interests. Any of these restrictions could have the effect of delaying or preventing a change in control.

In addition, certain of our outstanding and unvested stock options have a feature pursuant to which, in the event we are acquired, the vesting of such options may accelerate. Accelerated vesting of our employee stock options may prove to be a deterrent to a potential acquisition of us because the acquiring company may have to implement additional retention programs to assure the continued service of our employees, and the additional dilution which will result from the accelerated vesting of our outstanding employee stock options will likely reduce the amount which would otherwise be payable to our shareholders in an acquisition.

Furthermore, restrictions imposed by federal law on foreign ownership of U.S. airlines require that no more than 25% or our voting stock be owned by persons who are not U.S. citizens. These restrictions effectively prohibit a non-U.S. person from acquiring us.

CAPITALIZATION

The following table sets forth our cash and capitalization as of September 30, 2005:

- on an actual basis; and
- on an as adjusted basis to give effect to the incurrence of $80,000,000 principal amount of debt represented by the debentures, the receipt of the estimated net proceeds from the sale of the debentures in this offering, after deducting estimated underwriting discounts and commissions and offering expenses payable by us.

You should read this table in conjunction with our financial statements and the notes to those statements, which are incorporated by reference in this prospectus.

	September 30, 2005	
	Actual	As Adjusted for this Offering
	(unaudited, in thousands)	
Cash and cash equivalents	$ 144,096	$ 221,167