INDEPENDENT BOARD LEADERSHIP
AT REPUBLIC AIRWAYS—

THE FINAL FRONTIER

TAKE REPUBLIC'S
BOARD OFF AUTOPILOT

VOTE "FOR" PROPOSAL NO. 4
for Independent Board Oversight

TEAMSTERS CAPITAL STRATEGIES DEPARTMENT

July 2012

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TEAMSTERS CAPITAL STRATEGIES DEPARTMENT

DEAR REPUBLIC AIRWAYS SHAREHOLDERS:

You will have an opportunity to vote for independent board oversight on the Republic Airways Board of Directors by voting FOR Proposal No. 4. on the company's proxy. Republic Airways' (NASDAQ: RJET) annual shareholder meeting will be held on August 1, 2012.

THE STUDY GROUP ON CORPORATE BOARDS RECOMMENDS "THE DEFAULT FOR BOARD STRUCTURE SHOULD BE THE INDEPENDENT CHAIR."

The proposal specifically calls on the board to adopt a policy that the chairman be an independent director. The Study Group on Corporate Boards recommends "the default for board structure should be the independent chair."[1] The proposal does not seek to violate any current contractual obligations but rather to address a significant governance flaw at Republic that leaves investors vulnerable to a domineering chief executive whose ever-changing vision for the company has hurt the airline's core business and undermined the interests of shareholders.

Recent events at Republic, demonstrate why independent board oversight is needed at Republic now more than ever and why Republic's lead independent director is not able to address this significant governance concern because of his own conflicts of interest and compromised independence from management. Given the current state of the Company, Republic shareholders should join the growing trend in favor of independent board oversight.

REPUBLIC AIRWAYS GOVERNANCE CRISIS:
The Case for Independent Board Leadership

Republic Airways is an airline with an identity crisis–an identity crisis caused by the man in charge: Chairman and Chief Executive Officer Bryan Bedford.

Bedford, who has served as the airline's chief executive and chairman of the board since 2001, has lost his sense of direction–causing the company to squander cash, antagonize customers, and forgo important market opportunities. The company's board of directors has failed to reign in management's short sighted, conflicting strategies which have led to costly mistakes for the carrier.

BEDFORD, WHO HAS SERVED AS THE AIRLINE'S CHIEF EXECUTIVE AND CHAIRMAN OF THE BOARD SINCE 2001, HAS LOST HIS SENSE OF DIRECTION–CAUSING THE COMPANY TO SQUANDER CASH, ANTAGONIZE CUSTOMERS, AND FORGO IMPORTANT MARKET OPPORTUNITIES.

Republic's Board of Directors, which should represent the interests of shareholders, appears to lack the capacity to effectively oversee management decisions even when those decisions undermine the company's core business.

It is difficult for any board of directors to provide meaningful, independent oversight of management when the chairman is also the chief executive manager of the company. It is even more difficult when the board is comprised of a small group of interlocked directors.

Lead Director No Substitute for Independent Chair

The responsibilities of the Independent Lead Director delineated in Republic's 2011 proxy statement does not provide comfort for investors who seek meaningful independent board leadership.

The company's proxy statement asserts that the lead independent director, "among other things, chairs executive sessions of the independent directors, serves as a spokesperson for the independent directors and serves as a liaison between the company's other independent directors and the company's management, auditors and counsel between board meetings."[2] But it is not stated in the company's disclosures whether the lead independent director approves information sent to the board; approves meeting agendas for the board; approves meetings schedules to ensure ample time for discussion on all items; has the authority to call meetings of the independent directors; is available to consult or have direct communication with major shareholders, etc.

The Company's continued unsatisfactory performance shows that Republic's lead independent director is not sufficiently empowered, as far as investors can tell, to counterbalance a strong chief executive officer who also serves as the chairman of the board.

Too Close to Management

Republic first installed David Siegel, the former chairman and CEO of US Airways, as lead independent director in May 2011. Just eight months later Siegel was named CEO of its subsidiary Frontier Airlines. "The move was made, Bedford said, so someone could oversee the company in Denver as it goes through a critical year in which Republic decides whether to sell Frontier to another airline, sell it to an equity investor or spin it off as a separate public company."[3] Siegel now reports to Bedford.

Next, Republic named Director Richard Schifter to be lead independent director. He is a managing partner of TPG which owned Midwest Airways when Republic bought the airline in 2009. Richard Schifter is deeply compromised as a lead independent director by his own relationships and his firm's long history with David Seigel, Republic's CEO of the Frontier Airline business.

INTERTWINED CAREERS OF SCHIFTER AND SEIGEL

Midwest Air

Midwest Air Group appointed both Richard Schifter and David Siegel to its board of directors in February 2008 after TPG took the company private. During Schifter's and Siegel's short tenure on Midwest Airline's board (less than two years) the company's value fell from the $452 million purchase price paid by TPG and Northwest Airlines to the $31 million Republic paid TPG for the company.

Continental Airlines

Siegel first became known to TPG as an executive at Continental Airlines between 1993-1999. TPG (through its predecessor venture Air Partners) acquired a 42% controlling stake in Continental Airlines in 1993 and TPG founders David Bonderman and William Price III served on its board throughout Siegel's tenure there.

US Airways

David Siegel went on to become chairman and CEO of US Airways. He led the airline from March 2002-April of 2004 spanning the airline's two bankruptcies. Just days before US Airways announced its plans to file for bankruptcy in 2002, Texas Pacific "agreed to kick in $100 million as part of a $500 million loan to keep the company operating during bankruptcy. It also agreed to buy $200 million of stock, or 38 percent of the company, and take 5 of 13 seats on the board if US Airways emerged from bankruptcy."[4] According to the ***New York Times***, it was a deal that developed from Siegel's outreach to Texas Pacific's Richard Schifter.[5]

Though Texas Pacific was outbid by the Retirement Systems of Alabama at US Airways in 2002, it did get another bite at the apple when, in 2005, America West Airlines merged with US Airways. Richard Schifter, who had served as TPG's representative on the boards of America West Holdings Corporation and America West Airlines since 1994 (when Texas Pacific helped that Company emerge from bankruptcy), then became a member of the board of US Airways Group after the merger was complete.

Gate Gourmet

Less than two months after leaving US Airways, David Siegel was named Gate Gourmet Chairman and CEO by Texas Pacific Group. TPG co-founder James Coulter, who served as the airline catering company's chairman since his firm acquired it in 2002, remained on the Gate Gourmet board as a non-executive director after appointing Siegel to the positions.

XOJET

David Siegel joined XOJET, a private jet charter operator and portfolio company of TPG, in 2007. While at XOJET, Siegel served as the company's executive chairman, CEO and director. TPG founder David Bonderman continues to serve on its board along with several other TPG representatives.

Republic investors cannot possibly rely on an independent lead director who has such close financial, professional and personal ties to management as Richard Schifter does with Frontier's CEO David Siegel. This is especially relevant at a time when Republic can't seem to stick to a strategy about what to do with the Frontier business. Shareholders need a strong, independent voice on the board looking out for their interests rather than the next payout for TPG or the next executive opportunity for Mr. Siegel.

Republic Airways shareholders don't need a conflicted lead director. We need an independent chairman of the board.

VOTE "FOR" PROPOSAL NO. 4 for independent board leadership.

Republic's Clubby Board

In addition to David Seigel's close ties with Richard Schifter, it is important to note an important connection between the Frontier CEO and another Republic director—Neal Cohen. Mr. Cohen served as US Airways chief financial officer (CFO) during Siegel's tenure as US Airways chairman and CEO. Cohen resigned as CFO of US Airways in May 2004–just months before the airline filed for bankruptcy for the second time in two years.

WITH NO ABILITY TO UNSEAT DIRECTORS, REPUBLIC INVESTORS NEED TRUE, INDEPENDENT BOARD LEADERSHIP TO ENFORCE MEANINGFUL OVERSIGHT OF MANAGEMENT.

Republic directors Douglas Lambert and Mark Plaumann also seem to have similar career paths. They are former executives for Wexford Capital, once Republic's majority shareholder and financial advisor. Though Wexford has now divested completely from Republic, it owns significant shares of other airlines that compete or do business with Republic including United Airlines and US Airways. Mr. Lambert presently works as a managing director of Alvarez and Marsal, where Mr. Plaumann also worked from 1990-1995.

With such a cozy board, it is particularly important to have an independent leader.

VOTE "FOR" PROPOSAL NO. 4 for independent board leadership.

Board Election System Exacerbates Crisis

Republic Directors are elected by a plurality (rather than majority) voting system, which means that in the predictably uncontested board election, a director need only one vote to be reelected. Even if a majority of shareholders withhold support from a director, that director, with a single vote, will be elected to serve as investors' representative.

With no ability to unseat directors, Republic investors need true, independent board leadership to enforce meaningful oversight of management.

VOTE "FOR" PROPOSAL NO. 4 for independent board leadership.

Governance Experts: Independent Oversight Improves Accountability

It is the responsibility of the Republic Airways Board of Directors to protect shareholders' long-term interests by providing independent oversight of management. Independent oversight of management is compromised when the top manager is also the chairman of the board and when the lead director has close ties to management or other potential conflicts of interest.

According to the Millstein Center for Corporate Governance and Performance (Yale School of Management), "(t)he independent chair curbs conflicts of interest, promotes oversight of risk, manages the relationship between the board and CEO, serves as a conduit for regular communication with shareowners, and is a logical next step in the development of an independent board."[6]

IT IS THE RESPONSIBILITY OF THE REPUBLIC AIRWAYS BOARD OF DIRECTORS TO PROTECT SHAREHOLDERS' LONG-TERM INTERESTS BY PROVIDING INDEPENDENT OVERSIGHT OF MANAGEMENT.

An NACD Blue Ribbon Commission on Directors' Professionalism recommended several years ago that an independent director should be charged with "organizing the board's evaluation of the CEO and provide ongoing feedback; chairing executive sessions of the board; setting the agenda and leading the board in anticipating and responding to crises." A blue-ribbon report from The Conference Board echoed that sentiment a few years later.

A number of institutional investors believe that a strong, objective board leader can best provide the necessary oversight of management. The California Public Employees' Retirement System's Global Principles of Accountable Corporate Governance recommends that a company's board should generally be chaired by an independent director, as does the Council of Institutional Investors.

VOTE "FOR" PROPOSAL NO. 4 for independent board leadership.

In June of 2009, Republic Airways announced its intent to purchase branded carriers Frontier Airlines and Midwest Airlines–a surprising move for a successful regional jet carrier, which provides lift service for other major branded carriers like United and Delta Airlines that compete in some of the same markets.

Republic announced its offer to purchase Denver-based Frontier Airlines out of bankruptcy for $108.75 million on June 22, 2009. The next day, Republic announced its purchase of Milwaukee-based Midwest Air from private equity firm TPG for $31 million – $6 million in cash and a $25 million, five-year note convertible to Republic stock.[7] At the time, Midwest was struggling against strong competition from Southwest and AirTran.

PRIOR TO THE FRONTIER AND MIDWEST ACQUISITIONS, REPUBLIC AIRWAYS WAS THRIVING IN PROVIDING REGIONAL JET SERVICE FOR MAJOR BRANDED CARRIERS AT A FIXED PAYMENT RATE. THE MARGINS WERE CONTINUALLY STRONG, ALLOWING REPUBLIC TO REPORT ANNUAL PROFITS EVERY YEAR SINCE 2000.

The moves marked a drastic change to Republic's successful business model. Prior to the Frontier and Midwest acquisitions, Republic Airways was thriving in providing regional jet service for major branded carriers at a fixed payment rate. The margins were continually strong, allowing Republic to report annual profits every year since 2000.

CEO Bedford explained his rationale for the sudden change from Republic's fee-per-departure business model. Bedford said, "…at some point, the (regional business) model is just going to start to become a melting ice cube."[8]

Republic was not only seeking to diversify its revenue streams, but Bedford also hoped to reinvent Republic's identity because he expected its core business to melt into nothingness.

Despite Bedford's fear of the "melting ice cube," Republic remained in the regional jet service business keeping its contracts with United Airlines, Delta Airlines and others. It continued to provide lift for these carriers even though Republic would now be competing with them directly.

Reporters covering the aviation industry quickly saw the problem. "Even if Republic makes no changes the deal seems likely to paint a target on the holding company's back," Lou Whiteman wrote for the Daily Deal. "A successful transaction would make Republic both a provider of lift for United and a benefactor of a long-time thorn in United's side that has cut into the profitability of the larger airline's Denver hub."[9]

These concerns were not without merit, as Atlantic Coast Airlines demonstrated less than a decade ago. In July of 2003, Atlantic Coast decided to end its relationship with United Express and go into business on its own as a branded carrier, known as Independence Air. The experiment quickly failed for a variety

of reasons including that as soon as Atlantic Coast became a competitor in the branded arena, Delta "moved to cut ties" with the carrier[10] and United vigorously defended its Washington Dulles hub by leveraging its frequent flyer customers.

As ABC News reported, "there were simply too many competing airlines willing to offer service on the same routes while essentially subsidizing the artificially low fares that matched what Independence was charging. And in the end, Independence's pockets were not as deep as its competitors."[11]

Bedford not only publicly dismissed his company's core business as a "melting ice cube," but also put at risk its regional feeder business (which still made up the majority of the company's operations) by competing directly with his deep-pocketed customers.

BEDFORD NOT ONLY PUBLICLY DISMISSED HIS COMPANY'S CORE BUSINESS AS A "MELTING ICE CUBE," BUT ALSO PUT AT RISK ITS REGIONAL FEEDER BUSINESS (WHICH STILL MADE UP THE MAJORITY OF THE COMPANY'S OPERATIONS) BY COMPETING DIRECTLY WITH HIS DEEP-POCKETED CUSTOMERS.

Bedford Bets Against Republic's New Business Model

Republic's identity crisis did not end with the acquisitions of Frontier and Midwest. Since those deals closed, Republic has openly vacillated over whether or not to combine the airlines, where to base and service them, and whether or not to spin them off.

Bedford flip flopped on the issue of whether to combine Midwest and Frontier under the Frontier brand. Republic's press release announcing the close of the Frontier purchase specifically stated that the company "plans to continue both the Frontier and Midwest brands while leveraging their unique strengths across the combined network."[12] Sean Menke, Republic's chief marketing officer and the person in charge of running the branded business at the time of the acquisitions, reiterated this point on Republic's November 10, 2009 call with investors. He told investors: "It is our intent to maintain the two brands, Frontier and Midwest," insisting that "obviously the [Midwest] brand still has value."[13] Menke then resigned two months later, even though he was to be the manager of the branded business.[14]

Just six months later, Republic announced that the two airlines would be combined under the Frontier brand name. Apparently, between October 1, 2009 and April 13, 2010, the Midwest brand lost its value. Investors cannot help but wonder if it would have been cheaper and easier for Republic to start combining the two brands' reservation systems, amenities, and livery immediately after acquiring them, instead of trying to keep them separate for six months before giving up.

Bedford again managed to generate chaos, unnecessary expense and bad feelings in fumbling the consolidation of the airlines' heavy-maintenance and call center operations. In 2009, Bedford announced that both the heavy maintenance work as well as the call center operations would be consolidated in Milwaukee, WI–closing existing facilities in Denver and Las Cruces, New Mexico. This decision came after publicly accepting tax incentives from the City of Milwaukee and State of Wisconsin valued at $27 million over twelve years and rejecting financial

incentives offered by the City of Denver and State of Colorado. The company's move promised to generate 800 jobs in Milwaukee.[15] Bedford claimed his goal was to "restore Midwest to its peak." The Company spent about $2 million renovating the hangars in Milwaukee to state-of-the-art condition. Instead, Bedford outsourced the heavy maintenance work in 2010, and in 2011 announced mass layoffs in Milwaukee.[16] Then in May 2012, Bedford aborted his plan and drastically reduced flight operations in Milwaukee, closing the pilot base.[17] The maintenance hangars are now for sale.[18]

Bedford's reckless handling of these decisions managed to waste time and resources during this important integration process while also offending the loyal home town customers first in Colorado and then in Milwaukee.

IT APPEARS THAT BEDFORD EXPRESSED A LACK OF CONFIDENCE IN REPUBLIC'S CORE REGIONAL FEEDER BUSINESS IN ORDER TO JUSTIFY THE ANTAGONISTIC STRATEGY OF MAKING ITSELF A COMPETITOR TO ITS BRANDED CUSTOMERS.

Now, Bedford appears to have another idea. He has said that "he is looking at selling Frontier to an investor, selling it to another airline or spinning it off as an independent company."[19]

On Republic's April 26, 2012 earnings conference call with analysts, Bedford announced that Barclay's Capital has been retained to advise Republic on possible options to monetize Frontier, hoping to complete this process by December 2012.[20] He said, "Look, we're separating the [branded and regional] businesses in order to get Republic to focus back on what it's done so well over the last 12 to 13 years, which is provide safe, clean, reliable capacity to all of the large network airlines in the US." [21]

What happened to Bedford's bleak outlook for the regional business he warned about in November 2009? He told investors that "the North American regional market [has] matured and [will] offer limited opportunities for new partners or growth going forward."[22]

It appears that Bedford expressed a lack of confidence in Republic's core regional feeder business in order to justify the antagonistic strategy of making itself a competitor to its branded customers. Now, he wants to double down on the fixed-fee flying, despite his warning to investors that this business model was "melting."

Bedford's identity crisis has left investors to wonder what direction the company will go next.

Bedford's Costly Branded Carrier Experiment

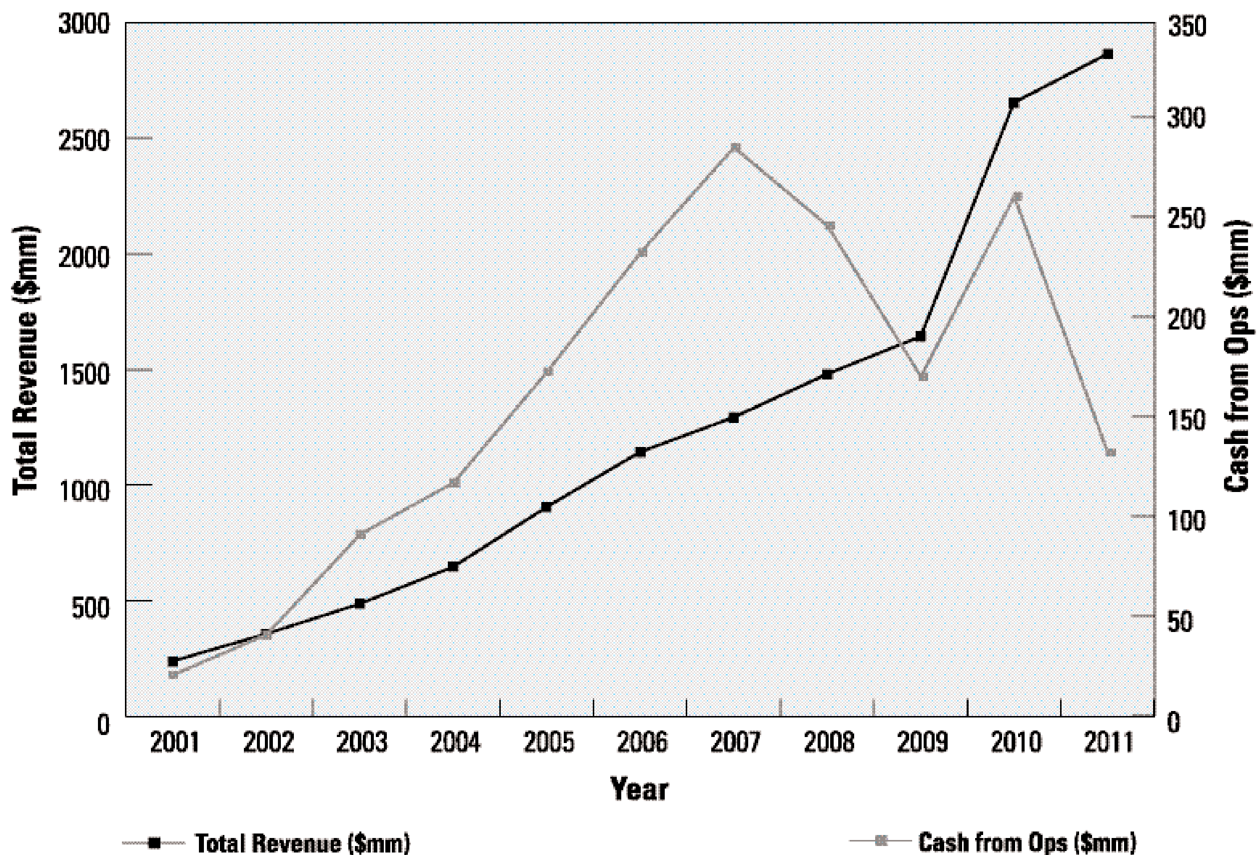
Republic's Frontier and Midwest acquisitions were black holes for company cash that would have been better spent improving long-term operations.

Prior to the acquisitions of Frontier and Midwest and the experiment in branded flying, Republic's cash flows were strong. Its ability to match its fleet of Embraer airliners to the routes they flew helped make Republic a success. "For a decade, this arrangement (with the major carriers) fueled Republic and contributed to its $118 million cash balance."[23]

WHILE MARGINS ON REGIONAL FEEDER SERVICE REMAINED RELATIVELY STRONG, THE BRANDED OPERATIONS HAD CONSISTENTLY NEGATIVE CASH FLOWS.

Since leaping into the branded flying business, however, Republic's cash flows have suffered. While margins on regional feeder service remained relatively strong, the branded operations had consistently negative cash flows. Therefore, the profitable side of the business has been forced to subsidize the unprofitable side. Investment bank, Dahlman Rose & Co. pointed out in a June 13, 2011 report that "the Republic Airways portion is generating (roughly) $50 million in after-tax income, but it is being swallowed by the Frontier losses."[24]

Cash Flows from Operations clearly tell the tale of the Frontier acquisition. After rising steadily over time, cash flows consistently reached the mid-to-upper $200 million range. This figure tumbled after the 2009 acquisitions and has struggled to recover despite the sharp jump in revenues brought on by the acquisitions.



In June of 2011, Republic negotiated a new agreement with Frontier pilots that involved major concessions and an equity buy-in. Even that was not sufficient to plug the holes. The Republic board was left the responsibility of raising $70 million in new capital for both operations and growth.[25]

While Republic's fixed-fee business was never vulnerable to the risk of rising fuel costs–as those costs and associated risks fall to the mainline carriers–Frontier was struggling against rising fuel prices. For Frontier, the spiraling fuel costs turned profits to losses, drained cash, and harmed the business as a whole.

As Republic now prepares to spin off Frontier, airline analysts note that this cash hole will be an obstacle to attracting investors. As Raymond James analyst James Parker wrote in a March 5 report, "A private equity investor would need to raise at least an additional $100 million in cash to make sure Frontier has sufficient liquidity for its operations and to defend its market position."[26] A cash hole of $100 million is a major problem for a company used to relying on strong cash flows.

Cash Crunch Causes Strategic Problems

In the past, Republic's strong cash flows were essential to growing the business. 'Pay to play' arrangements are quite common in the fee-per-departure business–the airline's bread and butter before the Frontier and Midwest acquisitions. The arrangement is simple: the smaller regional carrier, which tends to have larger cash reserves, invests in their mainline partners in order to provide them with operating capital. In exchange, the mainline partner guarantees a certain amount of fee-for-departure contracts.

AS REPUBLIC NOW PREPARES TO SPIN OFF FRONTIER, AIRLINE ANALYSTS NOTE THAT THIS CASH HOLE WILL BE AN OBSTACLE TO ATTRACTING INVESTORS.

Both parties benefit because the mainline carrier receives cash it needs to operate, while the regional carrier gains the contracts it needs to keep its business afloat. "Whether it is called 'pay to play' or 'upside vertical integration,' Dan Kasper of LECG, a Cambridge, Massachusetts consulting firm, said, 'regional carriers are making some very cold-blooded calculations that if they make a major investment in their major code-share partner that they will continue to be able to fly as a regional partner.'"[27]

Republic most notably employed this strategy with success at US Airways during its bankruptcy in 2005. On March 31, 2005, a bankruptcy judge approved plans for Republic to invest $125 million into US Airways. The investment meant that Republic would become a holder of 19% of the reorganized US Airways. "The deal also ensures that US Airways … would use Republic for some of its regional flights under the US Airways Express banner."[28]

In fact, it was 'pay to play' that got Republic into Frontier and Midwest in the first place. During Midwest's financial troubles, Republic gave the company $31 million in loans: a $25 million loan in the fall of 2008 that kept the company out of Chapter 11 bankruptcy, and then another $6 million loan tied to a new Midwest-Republic contract two weeks before the acquisition was announced.[29]

Similarly, on March 5, 2009, Republic committed $40 million in post-petition debtor-in-possession (DIP) financing for Frontier. At the time of Frontier's emergence from bankruptcy, Republic had a $150 million general unsecured claim against Frontier, which Republic waived as part of the purchase agreement.

Investors should note, however, that the money poured into Frontier by no means forced Republic into buying the company. Had Southwest Airlines succeeded in its $170 million bid for Frontier, Republic would have been paid up to $20 million on its unsecured claims, had its $40 million DIP loan repaid and received a breakup fee of up to $4 million.[30]

Instead, Republic plowed forward with its ill-fated purchase of Frontier Airlines. And after taking on the major financial sinkhole that Frontier turned out to be, Republic found itself unable to make the sort of pay to play investments that had helped advance its business so much in the past.

For example, Republic missed out in Summer 2010 on making an offer when Compass Airlines was put up for sale, despite the fact that buying Compass would have made Republic the sole regional airline flying the popular and economical Embraer 170/175 series aircraft. Instead, Compass was sold to competitor Trans States Holdings for $20.5 million and is now the largest operator of E-175 aircraft.[31] Bedford justified this failure in an August 2010 letter to employees by blaming labor problems associated with his acquisition of Frontier.

AFTER TAKING ON THE MAJOR FINANCIAL SINKHOLE THAT FRONTIER TURNED OUT TO BE, REPUBLIC FOUND ITSELF UNABLE TO MAKE THE SORT OF PAY TO PLAY INVESTMENTS THAT HAD HELPED ADVANCE ITS BUSINESS SO MUCH IN THE PAST.

Republic also finds itself short on needed cash in the face of the bankruptcy of American Airlines, and the restructuring of Republic subsidiary Chautauqua Airlines. In the case of American, Republic once again has a golden opportunity to buy itself long-term contracts through comparatively cheap investments in the bankrupt company. But it simply does not have the cash to do it.

The restructuring of Chautauqua, announced on Republic's April 26, 2012 quarterly conference call also smacks of missed opportunity. Bedford himself admits that "every one of our Chautauqua small jet CPA contracts is actually loss-making,"[32] and that the goal of the current restructuring is "$40 million to $60 million in annual economic improvement by the start of 2013."[33]

If performance at Chautauqua was so poor and the losses so steep, the restructuring could and should have been undertaken long ago. As Frontier continued to soak up any and all spare cash at Republic, however, Chautauqua was left to the back burner. It was only once Frontier's pricey restructuring was complete that the airline could afford to repair one of its core business operations. Republic was like a homeowner spending all his money adding an extra wing to his house instead of fixing its leaky roof.

Bedford's Billion Dollar Blunders

Choosing and ordering aircraft is one of the most important long-term investment decisions an airline makes. These investments last decades, and will affect everything from margins and maintenance to creating an efficient route structure. Yet at Republic, Chairman and CEO Bedford cannot seem to make a thoughtful decision and stick with it.

In February of 2010, Republic made headlines as the North American launch customer for Bombardier's new CSeries aircraft. Republic ordered forty of the new aircraft, and placed options on another forty. The CS300 aircraft were to be delivered starting in the second quarter of 2015.

When Bedford announced the order on Republic's quarterly earnings conference call, he raved about the aircraft, calling the CSeries "a game-changer." "The CSeries aircraft will give us a major competitive cost advantage and complement our future growth and development plans," he said.[34]

By March 2012, however, Bedford had changed his tune. Instead of being the CSeries aircraft's biggest supporter, he became its most vocal critic, charging that the current order book is weak and he is concerned about Bombardier's "lack of sales."[35]

He even went so far as to compare the CSeries aircraft to the Boeing 717, an aircraft that Boeing ceased producing after building just 156 aircraft. "It's not a great place to be right now, being the owner of a 717," Bedford stated.[36] Surely, Bedford knows that by denigrating the CSeries aircraft he was doing nothing to help Bombardier's sales or improve the prospects for the aircraft he ordered.

SHAREHOLDERS ARE MERELY ALONG FOR THE RIDE AS THESE MULTI-BILLION DOLLAR DECISIONS SEEM TO BE MADE ON A LARK.

While in the midst of this anti-CSeries campaign, Republic undertook still more mysterious actions, placing an order for 80 Airbus 320NEO aircraft. "There have been questions about the viability of Republic's CSeries order ever since it reached a deal with Airbus last summer to acquire 80 A320NEO family aircraft for its Frontier Airlines subsidiary. At the time of the CSeries order, Republic seemed to clearly intend them for Denver-based Frontier,"[37] aviation reporter Andrew Compart wrote for *Aviation Week*.

To the outside observer, it would appear that Bedford regretted the decision to order the Bombardier aircraft, and is now attempting to sabotage that order in favor of the Airbus aircraft. Yet Bedford refuses to clarify his conflicting statements. Compart writes, "(Bedford) suggests the usage options would not be limited to Frontier, referring to some 'interesting ideas' on how to make use of the aircraft but declining to provide any specifics. 'When we get closer to 2015, we'll reveal them,' he says."[38]

In his latest turn, Bedford suggested that the aircraft could be part of "a global alliance as (a low-cost carrier) component to a broader North American strategy for a SkyTeam or Star or oneworld."[39] It is still unclear how this would work, as pilot contracts at the major airlines do not allow partnerships with feeder carriers that fly such large planes.

Once again, shareholders are merely along for the ride as these multi-billion dollar decisions seem to be made on a lark.

Bedford Turns Blind Eye to Looming Pilot Shortage

Airline industry analysts agree that a pilot shortage is on the horizon. Recently-proposed FAA regulations, already broadly mandated by Congress, will require airline first officers to hold airline transport pilot (ATP) certificates. Currently, first officers may qualify with just a commercial pilot certificate. The change will increase the number of flight hours required to serve as a first officer from 250 to 1,500.

Many airline advocacy groups have complained bitterly about the new requirements, pointing to the significant increased cost for flight school students which would be "an additional $90,000, approximately, to accumulate the flight time and complete training outside of a bachelor's degree program."[40] Coupled with the fact that "an estimated 20% of current ATP and commercial certificates are held by pilots 60 and older,"[41] it is clear that airlines will face major challenges recruiting pilots in the future.

Republic's response to this looming crisis has been typically shortsighted. Already at a competitive disadvantage to the higher paying legacy carriers, Republic's own regional airlines like Chautauqua and Shuttle America will need to find new ways to recruit and retain pilots as it becomes more expensive and time-consuming to become a pilot in the first place.

So far, Republic's solution to the pilot shortage has been to antagonize its pilots, destroy morale and possibly provoke a work stoppage that would not only affect Republic's business but also the business of its mainline customers. Pilots at Republic's regional operations have been in union contract negotiations since 2007, without any pay raises in five years.

REPUBLIC'S SOLUTION TO THE PILOT SHORTAGE HAS BEEN TO ANTAGONIZE ITS PILOTS, DESTROY MORALE AND POSSIBLY PROVOKE A WORK STOPPAGE THAT WOULD NOT ONLY AFFECT REPUBLIC'S BUSINESS BUT ALSO THE BUSINESS OF ITS MAINLINE CUSTOMERS.

Rather than negotiate an agreement with the pilots, Republic tried to pay off pilots directly by offering pay increases outside the contract—a tactic that is prohibited by federal law. Faced with a potential job action, the company backtracked and tried instead to illegally offer signing bonuses.

There is absolutely no rational for management to waste time attempting to circumvent the collective bargaining process required by law. These costly delay tactics serve only to postpone an agreement with the pilots and destroy relations with the very professionals the airline desperately needs to operate.

CONCLUSION:
VOTE "FOR" INDEPENDENT BOARD LEADERSHIP

The contradictory strategies pursued by Republic Airways are quite clearly the work of CEO and Chairman Bryan Bedford. Without independent leadership on the board to challenge management's decisions, Bedford treats Republic like his personal private family business.

When Bedford decided that the regional feeder carrier business lacked a future, he decided to buy two branded carriers, hoping to learn the complex business of running a branded airline on the job. When that project turned out to be a cash sinkhole he decided to get out of the business and go back to the same business model he had denigrated just a few short years earlier. His long-term strategy for the company is a mystery.

WHEN BEDFORD DECIDED THAT THE REGIONAL FEEDER CARRIER BUSINESS LACKED A FUTURE, HE DECIDED TO BUY TWO BRANDED CARRIERS, HOPING TO LEARN THE COMPLEX BUSINESS OF RUNNING A BRANDED AIRLINE ON THE JOB.

Shareholders deserve to have real representation in the boardroom–not a conflicted lead director who is cozy with management, but an independent Chairman of the Board.

VOTE "FOR" SHAREHOLDER PROPOSAL NO. 4, AND SEND A MESSAGE TO REPUBLIC:

It's time that REPUBLIC reestablish itself as a respected and successful airline.

ENDNOTES

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