



THE X-RAY

A LOOK INSIDE YOUR ALPA ARW NEGOTIATIONS

July 2014

We just concluded some great visits with pilots last week in Charlotte, LaGuardia, Norfolk, Washington National and Philadelphia. One of the common questions we received: when does our flying agreement with US Airways end, and why won't the Company tell us when that is?

Have you ever played Texas Hold'em? Texas Hold'em is a type of poker game made famous by the "World Series of Poker," which you can find on TV. In Texas Hold'em each player is dealt two hole cards that they combine with 5 community cards dealt face up on the board to form a winning hand of five cards (made up of any combination of their two hole cards and the community cards). Every player at the table knows what the community cards on the board are but they only know what his own hole cards are. Texas Hold'em can serve as an analogy to how the Company competes with its customers, its vendors and its employees.

So what are the 5 visible community cards at Air Wisconsin as we see them in bargaining?

1. Air Wisconsin is profitable.
2. Air Wisconsin has good operational performance.
3. Air Wisconsin has 71 aircraft, 35 are debt-financed, 35 are leased and 1 is owned.
4. Air Wisconsin has a Jet Services Agreement with US Airways through the end of 2015, which may be extended for a certain amount of time for a certain number of airplanes at Air Wisconsin's option.
5. Air Wisconsin is privately held by six individuals.

Based on the community cards there remains some uncertainty that can only be answered by the Company's hole cards. Those hole cards must supply answers to these two questions:

1. What are the terms of the Jet Services Agreement extension?
2. What are the owners' plans for the future of Air Wisconsin?

Texas Hold'em has multiple rounds of betting and we are in the final round. All the community cards are on the table and we are left to bet with the cards we are holding versus what we think the Company may be holding. We have - through the course of direct negotiations and mediation - asked the Company to share with us what information is contained on their hole cards in order for us to work together to ensure the success of the Company. They have time and again refused to share that information saying that we would use the information against them. This is where the Texas Hold'em analogy really comes together.

How would our bargaining strategy change if they turned over their cards and they said that the extension is good for all of our airplanes for fifty years and that the owners had no desire to grow the airline?

What if their hole cards showed that there is no extension and the owners planned on shutting down the airline at the end of next year?

What if their hole cards showed that the Jet Services Agreement allowed them to bring on 100 70-seat aircraft and provides them a profitable contract?

You can see given some of these scenarios that the Company may feel a benefit from forcing us to guess what their hole cards are. That uncertainty forces us to continue to play out our hand. We are forced to fold, stay or raise the stakes in the multi-million dollar card game. We plan out our strategy by listening to your goals, desires and plans and then strategically bet accordingly.

Thanks to everyone who stopped by for some coffee with us last week. See you around the airport.

—Your Negotiating Committee