Filed pursuant to Rule 424 (b)(3)
Registration No. 333-156930

Prospectus Dated April 20, 2009

Common Shares

Mesa Air Group, Inc.

This prospectus relates to the offer and sale of up to 2,692,800 shares of our Common Stock held by the selling shareholder identified in this prospectus. The selling shareholder intends to sell the shares of our Common Stock held by it in a single transaction, or a set of simultaneous transactions, at a time that is determined based on its assessment of market conditions.

We will not receive any of the proceeds from the sale of these shares by the selling shareholder. Subject to any agreement that we may in the future reach in connection with the offer and sale of shares pursuant to this prospectus, we will bear all expenses of this offering, except that the selling shareholder will pay all transfer taxes and any underwriting discounts or commissions or equivalent expenses applicable to the sale of its shares.

We are registering the offer and sale of these shares pursuant to an agreement with the selling shareholder. The shares offered under this prospectus are being registered to permit the selling shareholders to sell the shares in the public market at a time that they determine based on their assessment of market conditions. The selling shareholder may sell the shares through an underwritten offering or through any other means described in the section entitled "Plan of Distribution."

The Common Stock is listed on The NASDAQ Global Select Market under the symbol "MESA." The last reported sale price of the Common Stock on March 27, 2009, was $0.14 per share.

Investing in our Common Stock involves risks. See "Risk Factors" beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 20, 2009

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We and the selling shareholder have not authorized anyone to provide you with information different from that contained in this prospectus. This prospectus may only be used where it is legal to sell these securities. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of Common Stock. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of the offering, but does not contain all of the information that you should consider before investing in our Common Stock. You should read the entire prospectus carefully before making an investment decision, especially the risks of investing in our Common Stock described under "Risk Factors." Unless the context otherwise requires, the terms "we," "us," "our," the "Company" and "Mesa" refer to Mesa Air Group, Inc. and its predecessors, direct and indirect subsidiaries and affiliates.

MESA AIR GROUP, INC.

Our Company

Mesa Air Group, Inc. ("Mesa" or the "Company") is a holding company whose principal subsidiaries operate as regional air carriers providing scheduled passenger and airfreight service. As of March 31, 2009, the Company served 117 cities in 37 states, the District of Columbia, Canada, and Mexico and operated a fleet of 151 aircraft with approximately 856 daily departures.

Approximately 96% and 95.9% of our consolidated passenger revenues from continuing operations for the fiscal year ended September 30, 2008 and the first quarter of fiscal 2009, respectively, were derived from operations associated with code-share agreements. Our subsidiaries have code-share agreements with Delta Air Lines, Inc. ("Delta"), United Airlines, Inc. ("United Airlines" or "United") and America West Airlines, Inc. ("America West"), which currently operates as US Airways and is referred to herein as "US Airways." The current US Airways agreement is the result of a merger between America West and US Airways, Inc. These code-share agreements allow use of the code-share partners' flight designator code to identify flights and fares in computer reservation systems, permit use of logos, service marks, aircraft paint schemes and uniforms similar to the code-share partner and provide coordinated schedules and joint advertising. Our remaining passenger revenues from continuing operations are derived from our independent ***go!*** operations in Hawaii.

In addition to carrying passengers, we carry freight and express packages on our passenger flights and have interline small cargo freight agreements with many other carriers. We also have contracts with the United States Postal Service for carriage of mail to the cities we serve and occasionally operate charter flights when our aircraft are not otherwise used for scheduled service.

Our airline operations are conducted by the following airline subsidiaries:

- Mesa Airlines, Inc. ("Mesa Airlines"), a Nevada corporation, flies regional jet and turboprop aircraft and operates as US Airways Express under code-share agreements with US Airways, as United Express under a code-share agreement with United Airlines and independently in Hawaii as ***go.*** The ***go!*** flights are "Independent Operations" and are not subject to a code-share agreement with a major carrier.

- Freedom Airlines, Inc. ("Freedom Airlines"), a Nevada corporation, flies ERJ-145 50-seat regional jet aircraft and operates as "Delta Connection" under code-share agreements with Delta.

Corporate Structure

Mesa is a Nevada corporation with its principal executive office in Phoenix, Arizona. We were incorporated in Nevada in 1996.

In addition to operating the airline subsidiaries listed above, we also wholly own the following subsidiaries:

- MPD, Inc., a Nevada corporation, doing business as Mesa Pilot Development and MPD, operates training programs for student pilots in conjunction with San Juan College in Farmington, New Mexico and Arizona State University in Tempe, Arizona.

- Regional Aircraft Services, Inc. ("RAS"), a California corporation, performs ground handling services, primarily for Mesa subsidiaries.
- MAGI Insurance, Ltd., a Barbados, West Indies based captive insurance company, was established for the purpose of obtaining more favorable aircraft liability insurance rates.
- Ritz Hotel Management Corp., a Nevada corporation, was established to facilitate the Company's acquisition and management of a Phoenix area hotel property used for crew-in-training accommodations.
- Mesa Air Group -Airline Inventory Management, LLC ("MAG-AIM"), an Arizona limited liability company, was established to purchase, distribute and manage Mesa's inventory of spare rotable and expendable parts.
- Nilchii, Inc. ("Nilchii"), a Nevada corporation, was established to invest in certain airline related businesses.
- Mesa In-Flight, Inc., a Colorado corporation, was established to hold liquor licenses services for airline operations.
- Regional Aviation Advisors, Inc., a Nevada corporation, was established to provide aircraft financing advisory services.
- Patar, Inc. ("Patar"), a Nevada corporation, was established to invest in certain foreign businesses.
- Mesa Air New York, Inc., a New York corporation, was established to hold and own aircraft parts and equipment to support the Company's New York flight operations.
- Ping Shan, SRL ("Ping Shan"), a Barbados society with restricted liability, was established for the purpose of holding our interest in Kunpeng Airlines Co., Ltd. ("Kunpeng Airlines"), a regional airline based in the People's Republic of China.
- Air Midwest, Inc. ("Air Midwest"), a Kansas corporation, was established to operate turboprop aircraft as part of Mesa's operations, and Midwest Airlines' and US Airway's code-share operations.

Discontinued Operation

In the fourth quarter of fiscal 2007, the Company committed to a plan to sell Air Midwest or certain of its assets. Air Midwest consisted of Beechcraft 1900D turboprop operations, which were used in our independent Mesa operations, and Midwest Airlines' and US Airways' code-share operations. In connection with this decision, the Company began soliciting bids for the sale of the twenty Beechcraft 1900D aircraft in operation and exited all of its Essential Air Service ("EAS") markets on or before June 30, 2008. All assets and liabilities, results of operations, and other financial and operational data associated with these assets have been presented in the accompanying consolidated financial statements as discontinued operations separate from continuing operations, unless otherwise noted.

Aircraft

The following table sets forth our aircraft fleet (owned and leased) by aircraft type and code-share service as of December 31, 2008:

	Canadair Regional Jet-200 (CRJ-200)(A)	Canadair Regional Jet-700 (CRJ-700)	Canadair Regional Jet-900 (CRJ-900)(B)	Embraer Regional Jet-145 (EMB-145)(C)	Beechcraft 1900(D)	DeHavilland Dash 8	Total
US Airways Express	11	-	38	-	-	6	55
United Express							

	26
	20
	-
	-
	-
	10
	56
Delta Connection	
	-
	-
	-
	28
	-
	-
	28
Mesa Airlines (dba ***go!***)	
	5
	-
	-
	-
	-
	-
	5
Mesa Air Group-Operating	
	1
	-

-

6

-

-

7

Subtotal

43

20

38

34

-

16

151

Kunpeng Airlines (sublease)

5

-

-

-

-

-

5

Trans States Airlines (sublease)

-

-

-

2
-
-
2

Subtotal

48

20

38

36

-

16

158

Discontinued Operations

-

-

-

-

20

-

20

Non-Operating Aircraft (E)

2
-
-

-

	-
	-
	2
Total	
	50
	20
	38
	36
	20
	16
	180

(A) Five CRJ-200's are currently in China in a sublease agreement with Kunpeng Airlines.

(B) Subsequent to fiscal year-end 2008, the company removed the 7 CRJ 900 aircraft from the Delta Connection program.

(C) Two ERJ-145's are currently subleased to an unaffiliated airline, Trans States Airlines.

(D) As previously discussed, in the fourth quarter of fiscal 2007, we committed to a plan to sell certain assets used by Air Midwest and to discontinue our Air Midwest turboprop operations. The net book value of these aircraft is included within "Assets of discontinued operations" on the Consolidated Balance Sheets.

(E) Two CRJ-200's are non-revenue generating operational spares.

Code-Share Agreements

Our airline subsidiaries have agreements with Delta, US Airways and United Airlines to use those carriers' designation codes (commonly referred to as "code-share agreements"). These code-share agreements allow use of the code-share partner's flight designator code to identify flights and fares in computer reservation systems, permit use of logos, service marks, aircraft paint schemes and uniforms similar to the code-share partner's and provide coordinated schedules and joint advertising. Our passengers traveling on flights operated pursuant to code-share agreements receive mileage credits in the respective frequent flyer programs of our code-share partners, and credits in those programs can be used on flights operated by us.

Our code-share agreements consist of the following:

- our subsidiary, Mesa Airlines, operates CRJ-900, CRJ-200 and Dash-8 aircraft under our code-share agreement with US Airways (the "US Airways Code-Share Agreement");
- our subsidiary, Mesa Airlines, operates CRJ-200, CRJ-700 and Dash-8 aircraft under our code-share agreement with United (the "United Code-Share Agreement"); and
- our subsidiary, Freedom Airlines, operates ERJ-145 aircraft under a code-share agreement with Delta that was amended and assumed by Delta as part of its bankruptcy in the second quarter of 2007 (the "Amended DCA").

The financial arrangement under each of our code-share agreements with our code-share partners involves a revenue-guarantee arrangement. The US Airways Code-Share Agreement, United Code-Share Agreement, Amended DCA and Expansion DCA are all revenue-guarantee code-share agreements, pursuant to which the major carrier controls marketing, scheduling, ticketing, pricing and seat inventories. We receive a guaranteed payment based upon a fixed minimum monthly amount plus amounts related to departures and block hours flown in addition to direct reimbursement of expenses such as fuel, landing fees and insurance. Among other advantages, revenue-guarantee arrangements reduce our exposure to fluctuations in passenger traffic and fare levels, as well as fuel prices.

The following table summarizes our available seat miles ("ASMs") flown and passenger revenue recognized under our code-share agreements and independent operations for the first quarter of fiscal 2009 and for the years ended September 30, 2008 and 2007:

First Quarter of Fiscal 2009

Fiscal 2008

Fiscal 2007

ASM's

(000's)

Passenger
Revenue
(000's)

ASM's

(000's)

Passenger
Revenue
(000's)

ASM's

(000's)

	Passenger Revenue (000's)	
US Airways (Revenue-Guarantee)		
		869,016
	50%	
		$124,386
	48%	
		4,105,517
	51%	
		$635,439
	48%	
		4,331,579
	48%	
		$576,257
	44%	
United (Revenue-Guarantee)		
		598,661
	35%	
		80,157
	31%	
		2,573,519
	32%	
		382,392
	29%	

		3,074,054
	34%	
		461,732
	35%	
Delta (Revenue-Guarantee)		
		223,450
	13%	
		45,996
	18%	
		1,182,271
	15%	
		252,530
	19%	
		1,438,698
	16%	
		249,774
	19%	
Go!		
		39,310
	2%	
		10,957
	4%	
		166,659
	2%	
		43,075

4%

152,629

2%

25,457

2%

Total-Continuing Operations

1,730,437

$261,496

8,027,966

$1,313,436

8,996,960

$1,313,220

Discontinued Operations

-

$120

75,089

$12,588

185,557

$30,188

Our Executive Offices

Our principal executive offices are located at 410 North 44th Street, Suite 100, Phoenix, Arizona 85008, and our telephone number is (602) 685-4000. Our website is located at www.mesa-air.com. The information on, or accessible through, our website does not constitute part of, and is not incorporated into, this prospectus.

Recent Developments

Fiscal 2008 and the beginning of fiscal 2009 has been a period of challenges and modest successes for us. Most significantly, we reached legal settlements with both Hawaiian Airlines, Inc. ("Hawaiian Airlines") and certain affiliates of The Yucaipa Companies LLC (collectively, "Yucaipa"), which purchased the rights of a lawsuit initially brought by Aloha Airlines, Inc. and Aloha Air Group Inc. (collectively, "Aloha Airlines"), and during February 2009, we retired $133.4 million in debt in exchange for $6.7 million in cash, 117.1 million shares of our Common Stock, no par value ("Common Stock"), and $17.2 million in new debt.

On February 26, 2009, we entered into an agreement with Shenzhen Airlines relating to Kunpeng Airlines. Under the agreement, Mesa will sell its interest in Kunpeng Airlines to Shenzhen or its nominee, outstanding aircraft lease payments owed by Kunpeng Airlines to Mesa will be settled and Mesa's lease of five CRJ-200 aircraft to Kunpeng Airlines will terminate pursuant to mutually acceptable definitive documentation. In total, Mesa will receive $4.5 million, which amount will be offset by Mesa's return of security deposits totaling $0.9 million. Based on the terms agreed to in the agreement, the Company will record a loss on equity method investment in the second quarter 2009. Although the parties expect to consummate the transactions contemplated by the agreement by mid-April 2009, no assurance can be given that the parties will close within such timeframe. We expect the Kunpeng aircrafts to be returned to the Company in April 2009.

While the airline industry in general, and Mesa in particular, face a number of challenges in today's operating environment, we remain resolutely committed to returning the Company to sustained profitability and delivering the best service possible to our passengers and airline partners.

Settlement of Litigation

In the Hawaiian Airlines settlement, we recovered $37.5 million from a bond being held by the United States Bankruptcy Court for the District of Hawaii. On November 8, 2008, we announced our entry into a settlement agreement with Yucaipa concerning the Aloha Airlines' lawsuit over Mesa's Hawaiian inter-island flight services operated under the ***go!*** brand name. Pursuant to the settlement, we paid Yucaipa $2.0 million in cash, issued to Yucaipa 2,692,000 shares of Common Stock and agreed to provide inter-island travel benefits to certain former Aloha Airlines employees. Under the terms of the settlement, if Yucaipa is able to purchase the "Aloha" name in Aloha Airlines' bankruptcy court auction, it will license the "Aloha" name to Mesa. We agreed to the terms of these settlements without admitting any wrongdoing. For more information regarding the terms of our settlement with Yucaipa, see "Business-Legal Proceedings."

Expansion of go!

Also during fiscal 2008, ***go!*** expanded capacity in Hawaii: available seat miles increased by 9.2% over the prior year. After only 17 months in operation we congratulated our one millionth passenger. In the first quarter of fiscal 2009, we continued to expand our Hawaiian capacity, with available seat miles increasing by 15.4% in comparison to the same period in the prior fiscal year. During the first quarter of fiscal 2009, ***go!*** generated revenues of $11.6 million, which resulted in a pretax income of approximately $0.6 million. ***go!***'s fuel prices were reduced significantly in the quarter, ***go!***'s departures increased 11.4% and passengers carried increased 11.3% over the first quarter of fiscal 2008. We look forward to the opportunity to continue to grow the Hawaiian segment of our operation.

Retirement of Senior Convertible Notes

During the first two weeks of February 2009, we (i) issued 3,434,000 shares of our Common Stock, in satisfaction of our obligation to repurchase $1.4 million in aggregate principal amount at maturity of its Senior Convertible Notes due 2023 ("2023 Notes") from holders of 2023 Notes that had exercised their put rights arising under the indenture governing the 2023 Notes and forbearance agreements between the Company and these holders, and (ii) completed transactions with certain holders of our 2023 Notes to purchase an additional $29,071,250 face amount of 2023 Notes in exchange for a total of $1,844,431 in cash, 8,430,457 shares of Common Stock and $983,937 in aggregate principal amount of our new 8% senior unsecured notes due 2012 (the "2012 Notes").

Also during February 2009, we repurchased $19,278,000 in aggregate principal amount at maturity of our Senior Convertible Notes due 2024 ("2024 Notes") from holders of 2024 Notes that had exercised their put rights arising under the indenture governing the 2024 Notes, including $6,504,000 in aggregate principal amount at maturity of 2024 Notes pursuant to certain puts the Company agreed to accept on February 17, 2009. In consideration for the $19,278,000 of face amount of 2024 Notes, we issued 94,269,420 shares of our Common Stock. In addition, the Company announced its intent to immediately resume discussions with certain holders of 2024 Notes to enter into agreements with such holders imminently on terms substantially equivalent to previously announced agreements that were rescinded. As described in the immediately following paragraph, certain of these holders have subsequently agreed to enter into agreements with the Company on terms substantially equivalent to the previously announced rescinded exchange agreements.

On February 17, 2009, we entered into separate agreements with certain holders of our 2024 Notes to (i) exchange $83.7 million in aggregate principal amount at maturity of the 2024 Notes for an aggregate of $4.9 million in cash, 10.9 million shares of Common Stock, and $16.2 million in aggregate principal amount of the 2012 Notes. The issuance of the Common Stock and 2012 Notes in the exchange closed on February 25, 2009.

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Prior to the transactions that occurred in February 2009 and described above, $52.1 million in aggregate principal amount at maturity of 2023 Notes and $120.4 million in aggregate principal amount at maturity of 2024 Notes were outstanding. In total, pursuant to the transactions described above, we retired $30.4 million face amount of 2023 Notes and $103.0 million face amount of 2024 Notes in exchange for $6.7 million in cash, 117.1 million shares of Common Stock and $17.2 million principal amount of 2012 Notes. $21.7 million of the 2023 Notes' face value was not put to the Company or otherwise repurchased and thus remains outstanding. The outstanding 2023 Notes may be put to the Company no earlier than June 16, 2013. $17.4 million in aggregate principal amount at maturity of the 2024 Notes was not put or otherwise repurchased and thus remains outstanding. Such outstanding 2024 Notes may be put to the Company no earlier than February 10, 2014. When the 2023 Notes and 2024 Notes become putable in June 2013 and February 2014, respectively, we may pay the purchase price in cash or shares of our Common Stock or in a combination of cash and shares of our Common Stock.

The below table summarizes our outstanding convertible notes and outstanding shares before and after the note transactions described above.

	Prior to Transaction	After All Transactions Effective 2/25/09		
	Face Amount Outstanding	Face Amount Outstanding	Cash Paid by Mesa	Shares Issued by Mesa
Senior Notes due June 2023	$52.1M	$21.7M	$1.8M	11,864,457
Senior Notes due February 2024	$120.4M	$17.4M	$4.9M	105,169,420
New Notes due 2012	0	$17.2M	--	--
Total	$172.5M	$56.3M	$6.7M	117,072,627
Total Shares Outstanding	29,618,160			146,690,787

All of the issuances of Common Stock and 2012 Notes noted above were exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)(9) and Section 4(2) thereof.

Other Developments

Maintenance expense decreased $22.8 million, or 31.7%, to $49.2 million in the first quarter of fiscal 2009, from the same period in fiscal 2008. The decrease in maintenance is primarily due to a decrease in engine repair costs associated with the termination of power by the hour programs, and a decrease in expense associated with component contracts due to contract amendments. On a go forward basis, our maintenance expense will fluctuate based on actual cost incurred due to the termination of power by the hour programs.

In the first quarter of fiscal 2009, Mesa financed certain rotable spare parts in the amount of $2.9 million at an annual interest rate of 3.2% for 60 months. The first principal payment of $82,057 is due and payable on the 21st month. Interest will be accrued and added to the principal of the note for the first 20 months of the arrangement.

Also during the first quarter of fiscal 2009, Mesa paid $1.4 million to purchase approximately 9.5% of their outstanding Senior Convertible Notes due in 2023 and 2024 in the amount of $2.0 million and $7.6 million, respectively. The transaction after the payment of accrued interest, commissions and the write off of deferred debt issuance costs, resulted in a gain of $8.1 million which has been recorded in the condensed consolidated statement of operations, which are included elsewhere in this prospectus, in gain on extinguishment of debt.

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OFFERING SUMMARY

Common Stock Offered hereby	2,692,800 shares.
Common Stock Outstanding After this Offering	146,727,715 shares.
Use of Proceeds	We will not receive any proceeds from the shares sold by the selling shareholder.
Plan of Distribution	The selling shareholder plans to sell up to all of the shares being offered in this offering in a single transaction or a set of transactions at a time determined by its assessment of market conditions. See "Plan of Distribution" for additional information.
Risk Factors	You should carefully read and consider the information set forth under the heading titled "Risk Factors" and all other information set forth in this prospectus before deciding to invest in shares of our Common Stock.
Nasdaq Global Select Market Symbol	"MESA"

The share information above is based on 146,727,715 shares of Common Stock outstanding as of March 27, 2009.

SELECTED FINANCIAL DATA AND OPERATING STATISTICS

The selected consolidated statements of operations and consolidated balance sheet as of and for each of the five years ended September 30, 2008 and for the quarterly periods ended December 31, 2008 and 2007, are derived from the audited consolidated financial statement and the unaudited condensed consolidated financial statements of the Company and its subsidiaries, respectively, and should be read in conjunction with such financial statements, which are included elsewhere in this prospectus, and the related notes thereto as well as the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Air Midwest included our Beechcraft 1900D 19-seat turboprop code-share operations. All assets and liabilities and results of operations associated with Air Midwest have been presented in the accompanying financial statements as discontinued operations separate from continuing operations.

Consolidated statement of operations and balance sheet data as of (000's):

	Fiscal Year Ended September 30,					Quarter Ended December 31,	
	2008(1)	2007 (2)	2006 (3)	2005 (4)	2004 (5)	2008	2007
Consolidated Statements of Operations Data - Continuing Operations:							

Net operating revenues	
	$1,326,111
	$1,298,064
	$1,284,903
	$1,076,005
	$815,098
	$265,123
	$326,592
Operating expenses	
	1,316,106
	1,371,836
	1,182,514
	943,006
	741,137
	251,024
	326,515
Operating income (loss)	
	10,005
	(73,772)
	102,389
	132,999
	73,961
	14,099
	77
Interest expense	

36,081

39,380

34,209

41,324

21,892

8,186

9,681

Income (loss) before income taxes

(1,412)

(108,922)

61,942

99,400

55,011

15,887

(4,153)

Net income (loss) from continuing operations

(5,735)

(71,538)

37,103

61,563

32,000

15,488

(2,758)

Net income (loss) per share-continuing

Basic

$(0.21)

$(2.31)

$1.11

$2.11

$1.02

$0.56

$(0.10)

Diluted

(0.21)

(2.31)

0.91

1.45

0.78

0.46

(0.10)

Net loss from discontinued operations

$(23,425)

$(10,023)

$(3,136)

$(4,696)

	$(5,718)
	$(186)
	$(1,448)
Consolidated Balance Sheet Data - Continuing Operations:	
Working capital	
	$62,640
	$192,916
	$187,635
	$225,176
	$3,739
	$100,668
	$89,094
Total assets	
	959,205
	1,226,296
	1,238,213
	1,167,671
	1,121,537

954,206

1,197,297

Long-term debt, excluding current portion

420,878

561,946

500,363

589,029

500,921

450,655

553,573

Shareholders' equity

$109,657

$145,100

$264,210

$176,670

$128,904

125,972

136,320

Consolidated Operating Statistics *:

Passengers carried	
	13,604,915
	16,393,027
	14,839,701
	13,088,872
	10,239,915
	3,179,668
	3,587,044
Revenue passenger miles (000)	
	6,045,394
	6,952,438
	6,840,101
	6,185,864
	5,035,165
	1,327,409
	1,550,131
Available seat miles ("ASM") (000)	
	8,103,055
	9,182,517
	9,139,340
	8,715,749
	7,107,684
	1,730,437
	2,120,137
Block hours	
	498,966

616,591

571,827

571,339

513,881

109,736

128,558

Average passenger journey in miles

444

424

461

473

492

417

432

Average stage length in miles

386

364

397

389

390

373

398

Load factor

74.6%

75.7%

74.8%

	71.0%
	70.8%
	76.7%
	73.1%
Break-even passenger load factor	
	75.3%
	74.6%
	61.1%
	53.3%
	53.6%
	71.1
	73.2
Revenue per ASM in cents	
	16.8
	14.9
	14.6
	13.0
	12.6
	15.4
	15.4
Operating cost per ASM in cents	
	16.9
	14.7
	13.5
	11.6
	11.7

	14.2
	15.4
Average yield per revenue passenger mile in cents	
	22.5
	19.7
	19.5
	18.4
	17.8
	20.1
	21.1
Average revenue per passenger	
	$97.47
	$82.14
	$87.96
	$84.25
	$84.81
	$83.38
	$91.05
Aircraft in operation	
	159
	182
	191
	182
	180
	151
	183

Cities served	
	124
	184
	173
	176
	181
	126
	173
Number of employees	
	4,100
	4,800
	5,200
	4,600
	5,000
	4,000
	4,700

—

* Operating statistics include Air Midwest turboprop operations.

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(1) Net loss in fiscal 2008 includes the pretax effect of recognizing a $34.1 million credit on the $90 million bond posted for the loss contingency with Hawaiian Airlines, a pretax loss contingency of $2.8 million with Aloha Airlines, a pretax sale of bankruptcy stock received from US Airways of $26,780, a gain on the extinguishment of debt of $8.9 million from the purchase of certain senior convertible notes due February 2024 and June 2023 and gain on the extinguishment of debt of $5.8 million from the retirement of debt associated with the sale of 14 Beechcraft 1900D to Raytheon. In addition, the net loss in fiscal 2008 includes a $9.1 million impairment charge on the remaining 20 Beechcraft 1900D, a $209,000 impairment charge on Dash 8 inventory and a $1.3 million impairment on the investment in Kunpeng Airlines, and a $10.5 million increase to the valuation allowance on deferred tax assets.

(2) Net loss in fiscal 2007 includes the pretax effect of recognizing a loss contingency, with Hawaiian Airlines, of $86.9 million, impairment of contract incentives of $25.3 million, $11.6 million of exit costs associated with the elimination of the Dash 8 JFK operations, and $6.4 million in impairment charges made to leasehold improvements related to certain aircraft under the United Code-Share Agreement.

(3) Net income in fiscal 2006 includes a bankruptcy settlement of $12.1 million (pretax) and debt conversion costs of $13.1 million (pretax).

(4) Net income in fiscal 2005 includes the net effect of reversing certain impairment and restructuring charges of $1.3 million.

(5) Net income in fiscal 2004 includes the net effect of impairment and restructuring charges of $11.9 million (pretax).

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table sets forth our unaudited consolidated quarterly statement of operations data for the first quarter of fiscal 2009 and for each of the quarters during the fiscal years ended September 30, 2008 and 2007. You should read the following tables in conjunction with our financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited information on the same basis as our audited financial statements. This table includes all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of our operating results for the quarters presented. Operating results for any quarter are not necessarily indicative of results for the full fiscal year or any other future period.

December 31, 2007	March 31, 2008(1)	June 30, 2008(2)	September 30, 2008(3)	December 31, 2008

Unaudited quarterly financial data (in thousands)

Operating revenues	
	$
	326,592
	$
	320,329
	$
	353,914
	$
	325,276
	$
	265,123
Operating expenses	
	326,515
	292,653
	357,073
	339,865

	251,024
Operating income (loss)	
	77
	27,676
	(3,159)
	(14,589)
	14,099
Other income (expense), net	

(4,230)
1,344
6,002
(14, 532)
1,788

Income (loss) from continuing operations before taxes	
	(4,153)
	29,020

	2,843
	(29,121)
	15,887
Income tax provision (benefit)	
	(1,395)
	11,557
	1,025
	(6,863)
	399
Net Income (loss) from continuing operations	
	(2,758)
	17,463
	1,818

	(22,258)
	15,488
Loss from discontinued operations, net of taxes	
	(1,448)
	(8,043)
	(5,578)
	(8,356)
	(186)

Net income (loss)	$ (4,206)	$ 9,420	$ (3,760)	$ (30,614)	$ 15,302

Basic income (loss) per common share(6):

Income (loss) from continuing operations

$	(0.10)	$	0.65	$	0.07

	$
	(0.83)
	$
	0.56
Loss from discontinued operations	
	(0.05)
	(0.30)
	(0.21)
	(0.31)
	(0.01)
Net income (loss) per share	
	(0.15)
	0.35
	(0.14)
	(1.15)

0.55

Diluted income (loss) per common share(6):

Income (loss) from continuing operations

$

	(0.10)
	$
	0.51
	$
	0.07
	$
	(0.83)
	$
	0.46
Loss from discontinued operations	
	(0.05)
	(0.22)
	(0.21)
	(0.31)
	(0.01)
Net income (loss) per share	
	$
	(0.15)
	$
	0.29

	$ (0.14)
	$ (1.15)
	$ 0.45
Basic shares used in computing net income (loss) per share	
	28,542
	26,928

	26,694
	27,145
	27,652
Diluted shares used in computing net income (loss) per share	
	28,542
	36,095
	26,694
	27,145
	34,629

	December 31, 2006	March 31, 2007(4)	June 30, 2007	September 30, 2007 (5)
	Unaudited quarterly financial data (in thousands);			
Operating revenues	$ 333,533	$ 296,315	$ 340,373	$ 327,843
Operating expenses	313,718	319,799	326,760	411.559

Operating income (loss)	19,815	(23,484)	13,613	(83,716)
Other income (expense), net	(5,176)	(12,904)	(7,287)	(9,783)
Income (loss) from continuing operations before taxes	14,639	(36,388)	6,326	(93,499)
Income tax provision (benefit)	5,753	(13,754)	1,960	(31,343)
Net Income (loss) from continuing operations	8,886	(22,634)	4,366	(62,156)
Loss from discontinued operations, net of taxes	(874)	(1,352)	(1,761)	(6,036)
Net income (loss)	$ 8,012	$ (23,986)	$ 2,605	$ (68,192)
Basic income (loss) per common share(6):				
Income (loss) from continuing operations	$ 0.26	$ (0.71)	$ 0.15	$ (2.16)
Loss from discontinued operations	(0.02)	(0.04)	(0.05)	(0.21)

	December 31, 2006	March 31, 2007(4)	June 30, 2007	September 30, 2007 (5)
Net income (loss) per share	0.24	(0.75)	0.09	(2.37)
Diluted income (loss) per common share(6):				
Income (loss) from continuing operations	$ 0.22	$ (0.71)	$ 0.13	$ (2.16)
Loss from discontinued operations	(0.02)	(0.04)	(0.05)	(0.21)
Net income (loss) per share	$ 0.20	$ (0.75)	$ 0.08	$ (2.37)
Basic Shares used in computing net income (loss) per share	33,632	31,999	30,063	30,990
Diluted shares used in computing net income (loss) per share	44,930	31,999	37,468	30,990

(1) March 31, 2008 quarterly results include a $9.1 million impairment charge on 20 Beechcraft 1900D, pretax effect of recognizing $34.1 million credit on a partial return of a $90.0 million bond posted for a loss contingency with Hawaiian Airlines, a gain on extinguishment of debt of $7.4 million from the purchase of certain senior convertible notes due February 2024 and a pretax sale of bankruptcy stock received from US Airways of $26,780.

(2) June 30, 2008 quarterly results include a $1.3 million impairment charge on the investment in Kunpeng Airlines, which is classified in loss from equity method of investment, a gain on extinguishment of debt of $1.5 million from the purchase of certain senior convertible notes due June 2023, gain on extinguishment of debt of $5.8 million from retirement of debt associated with the sale of 14 Beechcraft 1900D to Raytheon.

(3) September 30, 2008 quarterly results include a pretax loss contingency of $2.8 million with Aloha Airlines and a $10.5 million charge to income tax expense for the valuation allowance against deferred tax assets.

(4) March 31, 2007 quarterly results include impairment of contract incentives and aircraft leasehold improvements of $37.7 million (pretax)

(5) September 30, 2007 results include an $86.9 million loss contingency related to our Hawaiian litigation.

(6) The sum of 2008 and 2007 quarterly earnings per share may not equal annual earnings per share due to rounding.

RISK FACTORS

You should carefully consider the following risks and all of the other information set forth in this prospectus before deciding to invest in shares of our Common Stock. The following risks comprise all the material risks of which we are aware; however, these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business or financial performance. If any of the events or developments described below actually occur, it could have a material adverse effect on our business, financial condition or results of operations. In that case, the trading price of our Common Stock would likely decline, and you could lose all or part of your investment in our Common Stock.

Risks Related to Our Business

We are dependent on our agreements with our code-share partners.

We depend on relationships created by our code-share agreements. We derive a significant portion of our consolidated passenger revenues from our revenue-guarantee code-share agreements with Delta, United Airlines and US Airways. Our code-share partners have certain rights to cancel the applicable code-share agreement upon the occurrence of certain events or the giving of appropriate notice, subject to certain conditions. No assurance can be given that one or more of our code-share partners will not serve notice at a later date of their intention to cancel our code-share agreement and potentially reducing our traffic and revenue.

The US Airways Code-Share Agreement allows US Airways, subject to certain restrictions, to reduce the combined CRJ fleets utilized under the code-share agreement by one aircraft in any six-month period. The Company has received notice of US Airways' intent to reduce one CRJ-200 in January 2009, which has been removed from service from US Airways, one CRJ-200 in September 2009 and one CRJ-200 in January 2010. We anticipate that US Airways will continue to further reduce the number of covered aircraft in accordance with the agreement. In addition, US Airways may eliminate the Dash-8 aircraft upon 180 days prior written notice.

Because a majority of our operating revenues from continuing operations are currently generated under revenue-guarantee code-share agreements, if any one of them is terminated, our operating revenues and net income could be materially adversely affected unless we are able to enter into satisfactory substitute arrangements or, alternatively, fly under our own flight designator code, including obtaining the airport facilities and gates necessary to do so. For the year ended September 30, 2008 and quarterly period ended December 31, 2008, the US Airways Code-Share Agreement accounted for 48% and 47.6%, respectively, of our consolidated passenger revenues; the Amended DCA and Expansion DCA with Delta together accounted for 19% and 17.6%, respectively, of our consolidated passenger revenue for such periods and the United Code-Share Agreement accounted for 29%, and 30.7%, respectively, of our consolidated passenger revenues.

As of December 31, 2008, we operated 28 ERJ-145 aircraft for Delta pursuant to the Amended DCA. Flight operations for Delta are performed by our wholly-owned subsidiary, Freedom Airlines. The Amended DCA provided for the addition of six ERJ-145 aircraft for an initial term of two years. These aircraft are scheduled to be removed from service in April 2009. The parties are currently in disagreement regarding the effectiveness of a notice issued by Mesa to extend the term of these aircraft for an additional one year term at reduced compensation in accordance with the terms of the amendment. Also, pursuant to the Amended DCA, commencing in August 2008, the parties agreed to remove eight ERJ-145 aircraft at a rate of three aircraft per month. As discussed below, the Company is currently involved in litigation with Delta regarding the Amended DCA and intends to pursue its legal remedies against Delta regarding the Expansion DCA.

If our code-share partners or other regional carriers experience events that

negatively impact their financial strength or operations, our operations also may be negatively impacted.

We are directly affected by the financial and operating strength of our code-share partners. Any events that negatively impact the financial strength of our code-share partners or have a long-term effect on the use of our code-share partners by airline travelers would likely have a material adverse effect on our business, financial condition and results of operations. In the event of a decrease in the financial or operational strength of any of our code-share partners, such partner may seek to reduce, or be unable to make, the payments due to us under their code-share agreement. In addition, in some cases, they may reduce utilization of our aircraft. Although there are certain monthly guaranteed payment amounts, there are no fixed levels of utilization specified in the code-share agreements. If any of our other current or future code-share partners become bankrupt, our code-share agreement with such partner may not be assumed in bankruptcy and could be terminated. This and other such events could have a material adverse effect on our business, financial condition and results of operations. In addition, any negative events that occur to other regional carriers and that affect public perception of such carriers generally could also have a material adverse effect on our business, financial condition and results of operations.

Our code-share partners may expand their direct operation of regional jets thus

limiting the expansion of our relationships with them.

We depend on major airlines like Delta, United Airlines and US Airways electing to contract with us instead of purchasing and operating their own regional jets. However, these major airlines possess the financial and other resources to acquire and operate their own regional jets instead of entering into contracts with us or other regional carriers. We have no guarantee that in the future our code-share partners will choose to enter into contracts with us instead of purchasing their own regional jets or entering into relationships with competing regional airlines. A decision by Delta, United Airlines, or US Airways to phase out our contract-based code-share relationships or to enter into similar agreements with competitors could have a material adverse effect on our business, financial condition or results of operations. In addition to Mesa, our partners have similar code-share agreements with other competing regional airlines.

If Delta successfully terminates the Amended DCA or Expansion DCA, we may not be able to meet our immediate financial obligations.

Amended DCA

On March 28, 2008, Delta notified us of its intent to terminate the Amended DCA among Delta, the Company, and our wholly owned subsidiary, Freedom Airlines, alleging failure to maintain a specified completion rate with respect to its ERJ-145 Delta Connection flights during three months of the six-month period ended February 2008. In fiscal 2008, the Amended DCA accounted for approximately 15.0% of our total revenues. The Amended DCA includes, among other arrangements, our agreement to operate up to 34 model ERJ-145 regional jets leased by us and operated utilizing Delta's name. During the second quarter 2007, we reached an agreement with Delta to add six ERJ aircraft for an initial term of two years. These aircraft are scheduled to be removed in April 2009. The parties currently have a disagreement regarding the effectiveness of a notice issued by Mesa to extend the terms of these aircraft for an additional one year term at reduced compensation in accordance with the terms of the amendment. Failure to resolve this issue in the Company's favor could have a material adverse impact on our business, financial condition or results of operation.

On April 7, 2008, we filed a complaint against Delta seeking declaratory and injunctive relief and specific performance by Delta of its obligations under the Amended DCA. On May 9, 2008, we filed a motion for a preliminary injunction in the United States District Court for the Northern District of Georgia (the "District Court") against Delta to enjoin its attempted termination of the Amended DCA. A three day evidentiary hearing was concluded on May 29, 2008 with the District Court ruling in our favor and issuing a preliminary injunction against Delta. The preliminary injunction prohibits Delta from terminating the Amended DCA based on Freedom Airlines' completion rate prior to April 2008, pending a final trial at a date to be determined by the District Court.

On June 27, 2008, Delta filed a notice of appeal with the 11^{th} Circuit Court of Appeals (the "Court of Appeals") and on July 15, 2008, Delta filed a motion requesting that the appeal be heard on an expedited basis. The Company responded to Delta's motion in accordance with the applicable rules and the Court of Appeals, after reviewing the filings, denied Delta's request. Delta and the Company have fully briefed the issue on appeal and oral arguments in the Court of Appeals were held on January 30, 2009.

If the District Court or Court of Appeals ultimately rules in favor of Delta and allows the termination of the Amended DCA, we believe we will be unable to redeploy the ERJ-145s in a timely manner, or at the lease rates we receive under the Amended DCA in the event of any redeployment of such aircraft. In addition to losing approximately $20 million per month in revenue or approximately $960 million over the next four years, we estimate that we will incur leasing costs, labor and other costs totaling approximately $250 to $300 million over the next four years. As a result, our cash flows from operations and our available working capital will be insufficient to meet these cash requirements. In the absence of obtaining additional capital through equity or debt financings, asset sales, consensual restructuring of debt and lease terms and /or similar measure, we will be unable to meet our financial obligations and may need to seek protection under applicable United States reorganization laws in order to avoid or delay actions by our lessors, creditors and code-share partners, which will have a material adverse effect on our ability to continue as a going concern.

Expansion DCA

On August 1, 2008, Delta notified the Company of the termination of the Expansion DCA citing an alleged failure to meet certain contractual benchmarks set forth in the Expansion DCA. Mesa strongly denies having violated the Expansion DCA and intends to challenge Delta's decision. We believe the airport hub in which the CRJ-900 aircraft are operated and the schedules created by Delta significantly impact our ability to meet the contract performance benchmarks. In particular, we believe the operating environment at New York's JFK airport presents significant challenges to meet the performance requirements. The Company subleased the CRJ-900 aircraft operated pursuant to the Expansion DCA from Delta for $1 per month per aircraft and these aircraft have been returned to Delta in connection with this termination with no further financial obligation to Mesa.

If Delta prevails in its counterclaim against Mesa relating to a memorandum of understanding for the overhaul and repair of certain engines, our financial condition or results of operations may be materially adversely affected.

On August 6, 2008, Mesa filed a complaint against Delta seeking the return of seven aircraft engines that Delta improperly retained possession of following the termination of an engine maintenance memorandum of understating executed between Mesa and Delta. Delta claimed its retention of these engines was justified as a means to secure recovery of certain disputed amounts related to the memorandum of understating. The memorandum of understanding does not contain provisions regarding Delta's claims and does not permit Delta's retention of the engines. Delta did not have a legal basis upon which to retain continued unauthorized possession of the engines. On or about August 13, 2008, Delta returned possession of the engines at issue. On August 22, 2008, Delta recorded mechanics' liens on the engines and filed a counterclaim seeking to foreclose on the liens as well as seeking certain payments allegedly related to the memorandum of understanding. Mesa's action filed in the United States District Court for the District of Arizona sought the immediate return of all engines currently in Delta's possession and/or control, forfeiture of all claimed liens, as well as damages related to Delta's improper retention of the engines. On November 12, 2008, the court heard oral arguments on Mesa's motion to dismiss Delta's purported liens and Delta's motion to foreclose on the liens. On November 14, 2008, the court ruled that Delta forfeited its lien claims as a result of its failure to comply with the timelines set out in the Georgia lien statute. The parties' competing claims for money damages are still pending before the court. A judgment in Delta's favor for damages related to its counterclaim could have a material negative impact on our business, financial condition or results of operations.

Our ability to operate our Hawaiian operations profitably is dependent on the price of aircraft fuel. Continued periods of historically high fuel costs or further increases in fuel costs could have a significant negative impact on our operating results.

In June 2006, we launched our independent inter-island Hawaiian airline operation named ***go!*** and incurred operating losses from inception until the end of fiscal 2008. During the first quarter of 2009, ***go!*** generated revenues of $11.6 million, which resulted in pretax income of approximately $0.6 million. Providing service in Hawaii will require ongoing investment of working capital by Mesa and management attention and focus. Our operating results are significantly impacted by changes in the availability or price of aircraft fuel, which in turn are often affected by global events. Fuel prices have increased substantially over the past several years and sharply in the last year, reaching a level in mid-2008 that fundamentally challenges the economics of the airline industry. A relatively small increase in the price of fuel can have a significant aggregate effect on the costs of our ***go!*** operations. As a result of fluctuating fuel prices, Mesa started a jet fuel swap program in fiscal 2009. However, due to the competitive nature of the airline industry and market forces, no assurance can be made that we may be able to increase our fares or otherwise increase revenues sufficiently to offset fuel prices.

Interruptions or disruptions in service at one of our hub airports, due to adverse weather, or for any other reason, could have a material adverse impact on our operations.

We currently operate primarily through hubs in Chicago, Washington DC, Denver, Phoenix, Charlotte, New York, Cincinnati, and Honolulu. Nearly all of our flights will either originate or fly into one of these hubs. Our revenues depend primarily on our completion of flights and secondarily on service factors such as timeliness of departure and arrival. Any interruptions or disruptions could, therefore, severely and adversely affect us. Extreme weather can cause flight disruptions, and during periods of storms or adverse weather, fog, low temperatures, etc., our flights may be cancelled or significantly delayed. We operate a significant number of flights to and from airports with particular weather difficulties, including Chicago, Denver, New York/JFK, and Washington, DC. A significant interruption or disruption in service at one of our hubs, due to adverse weather or otherwise, could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe impact on our business, operations and financial performance.

The availability of additional and/or replacement code-share partners is limited and consolidation within the airline industry could have an unknown impact on future operations.

The airline industry has undergone substantial consolidation and it may in the future undergo additional consolidation. Any additional consolidation or significant alliance activity within the airline industry could limit the number of potential code-share partners available and may adversely affect our relationships with current code-share partners. There is no assurance that our relationships with our code-share partners will survive in the event that any such code-share partner merges with another airline.

If we are unable to successfully restructure certain of our contractual

obligations and commitments as described below, our cash flow from operations and available capital will not be sufficient to meet these obligations, which may require that the Company seek protection under applicable reorganization laws.

While the Company's cash flows from operations and its available capital have been sufficient to meet its current operating expenses, lease obligations and debt service requirements to date, the Company's future cash flow from operations and available capital may be negatively impacted by (i) our ability to secure more flexible credit terms from certain of the Company's other key vendors; (ii) reduced cash payments from our code-share partners related to disputed items under our agreements; (iii) the Company's ability to restructure certain of its aircraft lease obligations and key vendor obligations, and (iv) the results of the Company's ongoing litigation with Delta. There can be no assurance that the Company will be successful in effecting amended lease terms for its existing aircraft lease obligations and obtaining flexible credit terms from existing vendors and suppliers. Unfavorable events arising with respect to negotiations with key lessors and vendors or the Delta litigation could give rise to covenant and payment defaults under the terms of the Company's material operating leases and indebtedness. In the absence of obtaining additional capital through asset sales, consensual restructuring of debt and lease terms and/or similar measures, the Company may be unable to remedy such defaults and may experience additional defaults in the future. The Company's operating leases are subject to termination in the event of default, and the Company's indebtedness may be accelerated in the event of continuing default. Certain lenders could foreclose on Company assets securing their indebtedness. Accordingly, the Company's financial condition could require that the Company seek additional protection under applicable reorganization laws in order to avoid or delay actions by its creditors and lessors which could materially adversely affect the Company's operations and ability to operate as a going concern.

Our Current Stock Price Creates a NASDAQ Delisting Possibility

Our Common Stock is currently traded on the NASDAQ Global Select Market and may be delisted, which could adversely affect our business and relations with employees, customers, and others. We have received notice from the NASDAQ Stock Market that our stock price (technically, the closing bid price) has failed to maintain the minimum

$1.00 per share requirement for the 30 consecutive business days preceding such notice. Previously, we had been given until March 23, 2009 to achieve compliance with that rule by having the bid price of our stock close at $1.00 or more for at least ten consecutive trading days. If compliance with that rule was not demonstrated by March 23, 2009, we could appeal NASDAQ's determination to delist our securities to a NASDAQ panel or we may apply to transfer our securities to the NASDAQ Global Market or the NASDAQ Capital Market. If our application is approved, we will be afforded an additional 180 day compliance period. Recently, NASDAQ further extended this compliance date to late June 2009. There can be no assurance that we will be able to achieve compliance with this minimum bid price rule by NASDAQ's required deadline; that we would be granted an additional 180 day compliance period; or that we would be able to achieve compliance with the minimum bid price rule even if granted the additional compliance period.

In this regard, during February 2009 we issued, in the aggregate, 117.1 million shares of our Common Stock as partial consideration in exchange for $30.4 million face amount of our 2023 Notes and $103.0 million face amount of our 2024 Notes. These issuances of Common Stock substantially diluted previously existing stockholders and created significant downward pressure on the price per share of our Common Stock. On March 27, 2009, the closing bid price of our Common Stock was $0.14.

There are a number of actions that can be taken to attempt to increase the price of our stock, including effecting a reverse stock split or engaging in stock repurchases. No assurance can be given that a reverse stock split, if approved by our shareholders, would result in an increased stock price or that, if the stock price did increase after such action, that the price would remain at a level necessary to maintain our listing on the NASDAQ Global Select Market. We have limited capital resources available for any stock repurchases. Any such actions (even if successful) may have adverse effects on us, such as adverse reaction from employees, investors and financial markets in general, adverse publicity, and adverse reactions from customers and shareholders. There are also other continued listing requirements for listing on the NASDAQ Global Select Market. In light of the number of shares of Common Stock that we recently issued, there is a substantial likelihood that we will not continue to meet such listing requirements.

Should our stock be delisted from the NASDAQ Global Select Market, we may apply to have our stock traded on the Over-The-Counter Bulletin Board. There can be no assurance that our Common Stock would be timely admitted for trading on that market. This alternative may result in a less liquid market available for existing and potential shareholders to buy and sell shares of our Common Stock and could further depress the price of our stock.

If we experience a lack of labor availability or strikes, it could result in a

decrease of revenues due to the cancellation of flights.

The operation of our business is significantly dependent on the availability of qualified employees, including, specifically, flight crews, mechanics and avionics specialists. Historically, regional airlines have periodically experienced high pilot turnover as a result of air carriers operating larger aircraft hiring their commercial pilots. Further, the addition of aircraft, especially new aircraft types, or transferring of aircraft between operating entities can result in pilots upgrading or transitioning between aircraft types and becoming unavailable for duty during the required extensive training periods. During the first and second quarters of fiscal 2008, the Company experienced higher than average turnover as a result of hirings by major carriers. There can be no assurance that we will be able to maintain an adequate supply of qualified personnel or that labor expenses will not increase.

At December 31, 2008, we had approximately 4,000 employees, approximately 1,900 of whom are members of two labor unions, including the Air Line Pilots Association, International ("ALPA") and the Association of Flight Attendants ("AFA"). Our collective bargaining agreement with the ALPA became amendable in September 2007 and we recently reached a tentative agreement that is subject to a ratification vote by our pilots. Our collective bargaining agreement with the AFA became amendable in June 2006 and we are in mediated negotiations. The inability to negotiate acceptable contracts with existing unions as agreements become amendable or with new unions could result in work stoppages by the affected workers, lost revenues resulting from the cancellation of flights and increased operating costs as a result of higher wages or benefits paid to union members. We cannot predict which, if any, other employee groups may seek union representation or the outcome or the terms of any future collective bargaining agreement and therefore the effect, if any, on our business, financial condition and results of operations. If negotiations with unions over collective bargaining agreements prove to be unsuccessful, following specified "cooling off" periods, the unions may initiate a work action, including a strike, which could have a material adverse effect on our business, financial condition and results of operations.

Increases in our labor costs, which constitute a substantial portion of our total ***operating costs, will cause our earnings to decrease.***

Labor costs constitute a significant percentage of our total operating costs. Under our code-share agreements, our reimbursement rates contemplate labor costs that increase on a set schedule generally tied to fixed percentages, an increase in the consumer price index or the actual increase in the contract. We are responsible for our labor costs, and we may not be entitled to receive increased payments under our code-share agreements if our labor costs increase above the assumed costs included in the reimbursement rates. As a result, a significant increase in our labor costs above the levels assumed in our reimbursement rates could result in a material reduction in our earnings.

If new airline regulations are passed or are imposed upon our operations, we may

incur increased operating costs and experience a decrease in earnings.

Laws and regulations, such as those described below, have been proposed from time to time that could significantly increase the cost of our operations by imposing additional requirements or restrictions on our operations. We cannot predict what laws and regulations will be adopted or what changes to air transportation agreements will be effected, if any, or how they will affect us, and there can be no assurance that laws or regulations currently proposed or enacted in the future will not increase our operating expenses and therefore adversely affect our financial condition and results of operations.

As an interstate air carrier, we are subject to the economic jurisdiction, regulation and continuing air carrier fitness requirements of the Department of Transportation ("DOT"), which include required levels of financial, managerial and regulatory fitness. The DOT is authorized to establish consumer protection regulations to prevent unfair methods of competition and deceptive practices, to prohibit certain pricing practices, to inspect a carrier's books, properties and records, to mandate conditions of carriage and to suspend an air carrier's fitness to operate. The DOT also has the power to bring proceedings for the enforcement of air carrier economic regulations, including the assessment of civil penalties, and to seek criminal sanctions.

We are also subject to the jurisdiction of the Federal Aviation Administration ("FAA") with respect to our aircraft maintenance and operations, including equipment, ground facilities, dispatch, communication, training, weather observation, flight personnel and other matters affecting air safety. To ensure compliance with its regulations, the FAA requires airlines to obtain an operating certificate, which is subject to suspension or revocation for cause, and provides for regular inspections. The FAA also has the power to bring proceedings for the enforcement of federal aviation regulations including the assessment of civil penalties and to seek criminal sanctions.

We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules and regulations to which we are subject. We cannot predict whether we will be able to comply with all present and future laws, rules, regulations and certification requirements or that the cost of continued compliance will not significantly increase our costs of doing business.

The FAA has the authority to issue mandatory orders relating to, among other things, the grounding of aircraft, inspection of aircraft, installation of new safety-related items and removal and replacement of aircraft parts that have failed or may fail in the future. A decision by the FAA to ground, or require time-consuming inspections of, or maintenance on, all or any of our turboprops or regional jets, for any reason, could negatively impact our results of operations.

Future regulatory action concerning climate change and aircraft emissions could have a significant effect on the airline industry. For example, the European Commission is seeking to impose an emissions trading scheme applicable to all flights operating in the European Union. Although we do not operate in the European Union, future laws or regulations such as these emissions trading scheme or other United States or foreign governmental actions applicable to our areas of operation may adversely affect our operations and financial results. Indeed, the administration of President Barack Obama recently proposed an emissions trading scheme as part of its budget proposal to Congress.

In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations. From time to time, various airports throughout the country have considered limiting the use of smaller aircraft, such as Embraer or Canadair regional jets, at such airports. The imposition of any limits on the use of our regional jets at any airport at which we operate could interfere with our obligations under our code-share agreements and severely interrupt our business operations.

lf additional security and safety measures regulations are adopted, we may incur

increased operating costs and experience a decrease in earnings.

Congress has adopted increased safety and security measures designed to increase airline passenger security and protect against terrorist acts. Such measures have resulted in additional operating costs to the airline industry. In addition, a report by the Aviation Safety Commission, a body established by Congress, recommends the adoption of further measures aimed at improving the safety and security of air travel. We cannot forecast what additional security and safety requirements may be imposed on our operations in the future or the costs or revenue impact that would be associated with complying with such requirements, although such costs and revenue impact could be significant. To the extent that the costs of complying with any additional safety and security measures are not reimbursed by our code-share partners, our business, financial condition, and results of operations could be adversely affected.

If our operating costs increase as our aircraft fleet ages and we are unable to pass

along such costs, our earnings will decrease.

As our fleet of aircraft age, the cost of maintaining such aircraft, if not replaced, will likely increase. There can be no assurance that costs of maintenance, including costs to comply with aging aircraft requirements, will not materially increase in the future. Any material increase in such costs could have a material adverse effect on our business, financial condition and results of operations. Because many aircraft components are required to be replaced after specified numbers of flight hours or take-off and landing cycles, and because new aviation technology may be required to be retrofitted, the cost to maintain aging aircraft will generally exceed the cost to maintain newer aircraft. We believe that the cost to maintain our aircraft in the long-term will be consistent with industry experience for these aircraft types and ages used by comparable airlines.

We believe that our aircraft are mechanically reliable based on the percentage of scheduled flights completed and as of December 31, 2008 the average age of our fleet, excluding Beechcraft 1900D's, is 7.1 years. However, there can be no assurance that such aircraft will continue to be sufficiently reliable over longer periods of time. Furthermore, any public perception that our aircraft are less than completely reliable could have a material adverse effect on our business, financial condition and results of operations.

Our fleet expansion program has required a significant increase in our leverage.

The airline business is very capital intensive and we are highly leveraged. For the year ended September 30, 2008, our debt service payments, including principal and interest, totaled $97.0 million and our aircraft lease payments totaled $227.0 million. We have significant lease obligations with respect to our aircraft and ground facilities, which aggregated approximately $1.9 billion and $1.8 billion at September 30, 2008 and December 31, 2008, respectively. As of December 31, 2008, our potential growth strategy involves the acquisition of ten more CRJ-700 regional jets. As of December 31, 2008, we had permanently financed all aircraft delivered under our agreement with Bombardier. There are no assurances that we will be able to obtain financing for the remaining ten CRJ-700 NextGen future aircraft deliveries or find suitable used CRJ-700.

In addition, there can be no assurance that our operations will generate sufficient cash flow to make such payments or that we will be able to obtain financing to acquire the additional aircraft necessary for our expansion. If we default under our loan or lease agreements, the lender/lessor has available extensive remedies, including, without limitation, repossession of the respective aircraft and, in the case of large creditors, the effective ability to exert control over how we allocate a significant portion of our revenues.

If we incur problems with any of our third-party service providers, our operations

could be adversely affected by a resulting decline in revenue or negative public perception about our services.

Our reliance upon others to provide essential services to facilitate our operations may result in the relative inability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including aircraft maintenance, ground facilities, baggage handling and personnel training. It is likely that similar agreements will be entered into in any new markets we decide to serve. All of these agreements are subject to termination after notice. Any material problems with the efficiency and timeliness of contract services could have a material adverse effect on our business, financial condition and results of operations.

We are at risk of loss and adverse publicity stemming from any accident involving any

of our aircraft.

If one of our aircraft were to crash or be involved in an accident, we could be exposed to significant tort liability. There can be no assurance that the insurance we carry to cover damages arising from any future accidents will be adequate. Accidents could also result in unforeseen mechanical and maintenance costs. In addition, any accident involving an aircraft that we operate could create a public perception that our aircraft are not safe, which could result in air travelers being reluctant to fly on our aircraft. To the extent a decrease in air travelers is associated with our operations not covered by our code-share agreements, such a decrease could have a material adverse affect on our business, financial condition and results of operations.

If we become involved in any material litigation or any existing litigation is

concluded in a manner adverse to us, our earnings may decline.

We are, from time to time, subject to various legal proceedings and claims, either asserted or unasserted. Any such claims, whether with or without merit, could be time-consuming and expensive to defend and could divert management's time, attention and resources. There can be no assurance regarding the outcome of current or future litigation.

On March 28, 2008 Delta notified the Company of its intent to terminate the Amended DCA among Delta, the Company, and the Company's wholly owned subsidiary, Freedom Airlines, alleging failure to maintain a specified completion rate with respect to its ERJ-145 Delta Connection flights during three months of the six-month period ended February 2008. Following Delta's termination notification, the Company filed a complaint on April 7, 2008 in the United States District Court for the Northern District of Georgia (the "District Court") seeking declaratory and injunctive relief. An evidentiary hearing was conducted during the three day period ended May 29, 2008. Following the hearing, the District Court ruled in the Company's favor and issued a preliminary injunction against Delta.

The effect of this ruling is to prohibit Delta from terminating the Amended DCA covering the ERJ-145 aircraft operated by Freedom Airlines, based on Freedom Airlines' completion rate prior to April 2008, pending a final trial at a date to be determined by the District Court. On June 27, 2008, Delta filed a notice of appeal with the 11th Circuit Court of Appeals (the "Court of Appeals") and on July 15, 2008 Delta filed a motion requesting that the appeal be heard on an expedited basis. The Company responded to Delta's motion in accordance with the applicable rules and the Court of Appeals, after reviewing the filings, denied Delta's request. Delta and the Company have fully briefed the issues on appeal and oral arguments in the Court of Appeals were held on January 26, 2009.

On August 6, 2008, Mesa filed a complaint against Delta seeking the return of seven aircraft engines that Delta improperly retained possession of following the termination of an engine maintenance memorandum of understating executed between Mesa and Delta. Delta claimed its retention of these engines was justified as a means to secure recovery of certain disputed amounts related to the memorandum of understating. The memorandum of understanding does not contain provisions regarding Delta's claims and does not permit Delta's retention of the engines. Delta did not have a legal basis upon which to retain continued unauthorized possession of the engines. On or about August 13, 2008, Delta returned possession of the engines at issue. On August 22, 2008, Delta recorded mechanics' liens on the engines and filed a counterclaim seeking to foreclose on the liens as well as seeking certain payments allegedly related to the memorandum of understanding. Mesa's action filed in the United States District Court for the District of

Arizona sought the immediate return of all engines currently in Delta's possession and/or control, forfeiture of all claimed liens, as well as damages related to Delta's improper retention of the engines. On November 12, 2008, the court heard oral arguments on Mesa's motion to dismiss Delta's purported liens and Delta's motion to foreclose on the liens. On November 14, 2008, the court ruled that Delta forfeited its lien claims as a result of its failure to comply with the timelines set out in the Georgia lien statute. The parties' competing claims for money damages are still pending before the court. A judgment in Delta's favor for damages related to its counterclaim could have a material adverse impact on the Company's business, financial condition and results of operations.

On October 20, 2008, Mesa filed a complaint against Mokulele Air Group, Inc. ("Mokulele") alleging claims for breach of contract related to certain amounts owed to the Company by Mokulele under the code-share agreement dated February 7, 2007. Mesa's complaint was filed in the United States District Court for the District of Arizona. On November 4, 2008, Mokulele filed a complaint in the United States District Court for the District of Hawaii alleging claims for breach of the code-share agreement, attempted monopolization in violation of the Sherman Anti-Trust Act and unfair competition under Hawaii statutes. On November 7, 2008, Mesa amended its complaint filed in the District Court of Arizona to add claims for breach of contract, breach of the covenant of good faith and fair dealing, breach of an open account, unjust enrichment, coercion, trademark infringement in violation of the Hawaii and Arizona statutes and the federal Lanham Act, misappropriation of trade secrets, deceptive trade practices and unfair competition. This litigation is in the initial stages and the Company strongly denies having violated any statutory or common law duties owed to Mokulele.

We are also involved in various legal proceedings and FAA civil action proceedings that the Company does not believe will have a material adverse effect upon the Company's business, financial condition or results of operations, although no assurance can be given to the ultimate outcome of any such proceedings.

Adverse rulings in any of these matters could have a negative impact on our financial performance and in some cases could have a material adverse impact on our business, financial condition, results of operations and the price of our Common Stock.

Our business would be harmed if we lose the services of our key personnel.

Our success depends to a large extent on the continued service of our executive management team. We have employment agreements with certain executive officers, but it is possible that members of executive management may leave us. Departures by our executive officers could have a negative impact on our business, as we may not be able to find suitable management personnel to replace departing executives on a timely basis. We do not maintain key-man life insurance on any of our executive officers.

We may experience difficulty finding, training and retaining employees.

Our business is labor intensive. We require large numbers of pilots, flight attendants, maintenance technicians and other personnel. The airline industry has from time to time experienced a shortage of qualified personnel, particularly with respect to pilots and maintenance technicians. In addition, as is common with most of our competitors, we have faced considerable turnover of our employees. Regional airline pilots, flight attendants and maintenance technicians often leave to work for larger airlines, which generally offer higher salaries and better benefit programs than regional airlines are financially able to offer. Should the turnover of employees, particularly pilots and maintenance technicians, sharply increase, the result will be significantly higher training costs than otherwise would be necessary. We cannot assure you that we will be able to recruit, train and retain the qualified employees that we need to carry out our expansion plans or replace departing employees. If we are unable to hire and retain qualified employees at a reasonable cost, we may be unable to complete our expansion plans, which could have a material adverse effect on our financial condition, results of operations and the price of our Common Stock.

We may be unable to profitably operate our independent operations in Hawaii, which could negatively

impact our business and operations.

In June 2006, we launched our independent inter-island Hawaiian airline operation named ***go!*** and have incurred operating losses since inception. Providing service in Hawaii will require ongoing investment of working capital by Mesa and management attention and focus.

Further, in light of the costs and risks associated with operating an independent low fare regional jet airline, we may be unable to operate the Hawaiian airline profitably, which would negatively impact our business, financial condition and results of operations.

In addition, our results under our code-share agreements, which are revenue-guarantee contracts, offer no meaningful guidance with respect to our future performance in running an independent airline because we have not previously operated as an independent regional jet carrier in Hawaii. We are operating under a relatively new brand that initially has limited market recognition. Future performance will depend on a number of factors, including our ability to:

- establish a brand that is attractive to our target customers;
- maintain adequate controls over our expenses;
- monitor and manage operational and financial risks;
- secure favorable terms with airports, suppliers and other contractors;
- maintain the safety and security of our operations;
- attract, retain and motivate qualified personnel; and
- react to responses from competitors who are more established in the Hawaiian markets.

If we are unable to successfully place excess aircraft it may adversely affect our operation.

We depend on our code-share partners and on the success of our other ventures to maintain our aircraft in revenue-generating operations. Currently, our excess aircraft include 6 ERJ-145s as a result of scheduled reductions under the Amended DCA and 20 Beech 1900D aircraft as a result of the Air Midwest shut down.

There are several scenarios that could result in an increase in number of excess aircraft. If our code-share partners terminate their code-share agreements, or exercise early termination provisions contained in certain code-share agreements, then the Company would face the challenge of generating ongoing revenue for these excess aircraft. If the aircraft operated by ***go!*** in Hawaii are returned for any reason, then it would also cause an increase in the number of excess aircraft. In addition, the Company is currently involved in a dispute with Delta over the effectiveness of a notice issued by the Company extending the term covering 6 ERJ-145 aircraft; without the 12-month extension these aircraft are set to exit Delta Connection service in April 2009. In addition, we expect the Kunpeng aircraft to be returned to the Company in April 2009. An increase in excess aircraft could result in our operating revenues and net income being materially adversely affected unless we are able to enter into satisfactory substitute arrangements.

Risks Related to Our Joint Venture in China

The ongoing losses of Kunpeng Airlines and our inability to timely sell our interests in

this joint venture could negatively impact our operations and profitability.

On December 22, 2006, our wholly-owned subsidiary, Ping Shan, entered into a joint venture agreement (the "Joint Venture Agreement") with Shan Yue SRL ("Shan Yue") and Shenzhen Airlines, pursuant to which the parties agreed to form Kunpeng Airlines, an equity joint venture company organized under the laws of China. Ping Shan holds a 25% share of the registered capital of Kunpeng Airlines. Additionally, Shan Yue, a Barbados society with restricted liability, holds 24% of the registered capital of Kunpeng Airlines. Shan Yue holds 5% of the 24% interest in Kunpeng Airlines for the exclusive benefit of an unaffiliated third party. Wilmington Trust Company holds 100% of the outstanding equity of Shan Yue as trustee of Shan Yue Trust, a Delaware statutory trust. We are the sole beneficiary of Shan Yue Trust. After taking into consideration the 5% interest in Kunpeng Airlines held for the exclusive benefit of an unaffiliated third party, our net ownership interest in Kunpeng Airlines is 44%. On September 28, 2007, Kunpeng Airlines commenced common carrier passenger service. As of December 31, 2008, Kunpeng Airlines operated five 50-seat CRJ 200 aircraft on regional routes in China. Kunpeng Airlines has incurred losses since its inception and is expected to continue to incur losses for the foreseeable future. As a result, on June 25, 2008, we entered into a letter of intent ("LOI") with Shenzhen Airlines to sell all of our equity interest in Kunpeng Airlines to Shenzhen Airlines. Under the proposed terms of the LOI, Mesa would have received net proceeds of approximately $4.8 million for our equity interest in Kunpeng Airlines. In addition, Shenzhen Airlines would have caused Kunpeng Airlines to pay certain amounts for back due aircraft rental payments.

On February 26, 2009, we entered into an agreement with Shenzhen Airlines relating to Kunpeng Airlines. Under the agreement, Mesa will sell its interest in Kunpeng Airlines to Shenzhen or its nominee, outstanding aircraft lease payments owed by Kunpeng Airlines to Mesa will be settled and Mesa's lease of five CRJ-200 aircraft to Kunpeng Airlines will terminate pursuant to mutually acceptable definitive documentation. In total, Mesa will receive $4.5 million, which amount will be offset by Mesa's return of security deposits totaling $0.9 million. Based on the terms agreed to in the agreement, the Company will record a loss on equity method investment in the second quarter 2009. Although the parties expect to consummate the transactions contemplated by the agreement by mid-April 2009, no assurance can be given that the parties will close within such timeframe. We expect the Kunpeng aircrafts to be returned to the Company in April 2009.

If we became involved in a dispute with Shenzhen Airlines related to the Joint Venture Agreement, we could experience difficulties in initiating litigation in a United States court, enforcing judgments of a United States court or bringing original actions in China.

The Joint Venture Agreement is governed by the laws of China. As a result, it may not be possible to enforce our rights under the Joint Venture Agreement through litigation in a United States court in the event of a dispute arising under the Joint Venture Agreement. Moreover, even if we were able to bring litigation in a United States court, uncertainty exists as to whether the courts of China would recognize or enforce judgments of United States courts. Additionally, although China's legal system is continually evolving, we can give no assurance that we would be able to bring an original action before a court in China, or, if we were able to do so, that a court in China would render a fair and impartial verdict.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to

penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, we are required to maintain records that accurately and fairly represent our transactions and have an adequate system of internal accounting controls. Foreign companies, including some that may compete with us, are not subject to these prohibitions, and therefore may have a competitive advantage over us. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in China. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Industry

If competition in the airline industry increases, we may experience a decline in

revenue.

Increased competition in the airline industry as well as competitive pressure on our code-share partners or in our markets could have a material adverse effect on our business, financial condition and results of operation. The airline industry is highly competitive. The earnings of many of the airlines have historically been volatile. The airline industry is susceptible to price discounting, which involves the offering of discount or promotional fares to passengers. Any such fares offered by one airline are normally matched by competing airlines, which may result in lower revenue per passenger, i.e., lower yields, without a corresponding increase in traffic levels. Also, in recent years several new carriers have entered the industry, typically with low cost structures. In some cases, new entrants have initiated or triggered price discounting. The entry of additional new major or regional carriers in any of our markets, as well as increased competition from or the introduction of new services by established carriers, could negatively impact our financial condition and results of operations.

Our reliance on our code-share agreements with our major airline partners for the majority of our revenue means that we must rely on the ability of our code-share partners to adequately promote their respective services and to maintain their respective market share. Competitive pressures by low-fare carriers and price discounting among major airlines could have a material adverse effect on our code-share partners and therefore adversely affect our business, financial condition and results of operations.

The results of operations in the air travel business historically fluctuate in response to general economic conditions. The airline industry is sensitive to changes in economic conditions that affect business and leisure travel and is highly susceptible to unforeseen events, such as political instability, regional hostilities, economic recession, fuel price increases, inflation, adverse weather conditions or other adverse occurrences that result in a decline in air travel. Any event that results in decreased travel or increased competition among airlines could have a material adverse effect on our business, financial condition and results of operations.

In addition to traditional competition among airlines, the industry faces competition from ground and sea transportation alternatives. Video teleconferencing and other methods of electronic communication may add a new dimension of competition to the industry as business travelers seek lower-cost substitutes for air travel.

The airline industry is heavily regulated.

Airlines are subject to extensive regulatory and legal compliance requirements, both domestically and internationally, that involve significant costs. In the last several years, the FAA has issued a number of directives and other regulations relating to the maintenance and operation of aircraft that have required us to make significant expenditures. FAA requirements cover, among other things, retirement of older aircraft, security measures, collision avoidance systems, airborne wind shear avoidance systems, noise abatement, commuter aircraft safety and increased inspection and maintenance procedures to be conducted on older aircraft.

We incur substantial costs in maintaining our current certifications and otherwise complying with the laws, rules and regulations to which we are subject. We cannot predict whether we will be able to comply with all present and future laws, rules, regulations and certification requirements or that the cost of continued compliance will not significantly increase our costs of doing business, to the extent such costs are not reimbursed by our code-share partners.

The FAA has the authority to issue mandatory orders relating to, among other things, the grounding of aircraft, inspection of aircraft, installation of new safety-related items and removal and replacement of aircraft parts that have failed or may fail in the future. A decision by the FAA to ground, or require time consuming inspections of or maintenance on, all or any of our aircraft, for any reason, could negatively impact our results of operations.

In addition to state and federal regulation, airports and municipalities enact rules and regulations that affect our operations. From time to time, various airports throughout the country have considered limiting the use of smaller aircraft at such airports. The imposition of any limits on the use of our aircraft at any airport at which we operate could interfere with our obligations under our code-share agreements and severely interrupt our business operations.

Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce revenues. If adopted, these measures could have had the effect of raising ticket prices, reducing revenue and increasing costs. In addition, as a result of the terrorist attacks in New York and Washington, D.C. in September 2001, the FAA has imposed more stringent security procedures on airlines and imposed security taxes on each ticket sold. We cannot predict what other new regulations may be imposed on airlines and we cannot assure you that laws or regulations enacted in the future will not materially adversely affect our financial condition, results of operations and the price of our Common Stock.

The airline industry has been subject to a number of strikes which could affect our

business.

The airline industry has been negatively impacted by a number of labor strikes. Any new collective bargaining agreement entered into by other regional carriers may result in higher industry wages and add increased pressure on us to increase the wages and benefits of our employees. Furthermore, since each of our code-share partners is a significant source of revenue, any labor disruption or labor strike by the employees of any one of our code-share partners could have a material adverse effect on our financial condition, results of operations and the price of our Common Stock.

Risks Related to Our Common Stock

Provisions in our charter documents might deter acquisition bids for us.

Our articles of incorporation and bylaws contain provisions that, among other things:

- authorize our board of directors to issue preferred stock ranking senior to our Common Stock without any action on the part of the shareholders;
- establish advance notice procedures for shareholder proposals, including nominations of directors, to be considered at shareholders' meetings;
- authorize a majority of our board of directors, in certain circumstances, to fill vacancies on the board resulting from an increase in the authorized number of directors or from vacancies;
- restrict the ability of shareholders to modify the number of authorized directors; and
- restrict the ability of shareholders to call special meetings of shareholders.

In addition, Section 78.438 of the Nevada general corporation law prohibits us from entering into some business combinations with interested shareholders without the approval of our board of directors. These provisions could make it more difficult for a third party to acquire us, even if doing so would benefit our shareholders.

Our stock price may continue to be volatile.

The stock market has, from time to time, experienced extreme price and volume fluctuations. Many factors may cause the market price for our Common Stock to fluctuate, including:

- our operating results failing to meet the expectations of securities analysts or investors in any quarter;
- downward revisions in securities analysts' estimates;
- material announcements by us or our competitors;
- public sales of a substantial number of shares of our Common Stock following the date of this prospectus;
- governmental regulatory action; or
- adverse changes in general market conditions or economic trends.

In this regard, during February 2009 we issued, in the aggregate, 117.1 million shares of our Common Stock as partial consideration in exchange for $30.4 million face amount of our 2023 Notes and $103.0 million face amount of our 2024 Notes. These issuances of Common Stock substantially diluted previously existing stockholders and created significant downward pressure on the price per share of our Common Stock.

Risk Related to Utilization of Net Operating Loss ("NOL") Carry Forwards.

Periodically the Company conducts a valuation of the net deferred tax assets arising principally from NOL carry forwards. As a result of the valuation, the Company maintains an allowance against the net deferred tax asset of $3.4 million at December 31, 2008.

Internal Revenue Code Section 382 rules apply to limit a corporation's ability to utilize existing NOL carry forwards once the corporation experiences an ownership change as defined in the rules of Section 382. Generally, an ownership change occurs when, generally within a span of 36 months there is an increase in the stock ownership by one or more shareholders of more than 50 percentage points. If the Company should incur a future ownership change or significant equity event in the future, the Company may be limited to an annual limitation on the use of its NOL carry forwards.

In February 2009, the Company issued 117.1 million shares of our Common Stock as partial consideration in exchange of $30.4 million face amount of our 2023 Notes and $103.0 million face amount for our 2024 Notes. This is likely to have a material impact on the Company's financial statements, as the Company will be limited to an annual limitation on the use of its NOL's. Management is currently evaluating the impact this will have on the Company's financial statements.

Risks

Related to the Offering

The price of our Common Stock may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our Common Stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price could fluctuate significantly for various reasons, which include:

- the recent issuance of a significant number of shares of Common Stock to satisfy our obligations to repurchase our 2023 Notes and 2024 Notes;
- our quarterly or annual earnings or earnings of other companies in our industry;
- the public's reaction to our press releases, our other public announcements, and our filings with the SEC;
- changes in earnings estimates or recommendations by research analysts who track our Common Stock or the stocks of other companies in our industry;
- new laws or regulations or new interpretations of laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- changes in general conditions in the United States and global economies or financial markets, including those resulting from war, incidents of terrorism, or responses to such events;
- litigation involving our Company or investigations or audits by regulators into the operations of our Company; and
- sales of Common Stock by our directors, executive officers, and significant shareholders.

In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including us and other companies in our industry. The changes frequently appear to occur without regard to the operating performance of these companies. The price of our Common Stock could fluctuate based upon factors that have little or nothing to do with our Company, and these fluctuations could materially reduce our stock price.

We currently do not intend to pay dividends on our Common Stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our Common Stock appreciates.

We have not historically paid dividends on shares of our Common Stock and do not expect to pay dividends on such shares in the foreseeable future. The payment of cash dividends in the future, if any, will be at the discretion of our board of directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition, and any other factors deemed relevant by our board of directors. Consequently, your only opportunity to achieve a positive return on your investment in us will be if the market price of our Common Stock appreciates.

FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements," which include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation, and availability of resources. These forward-looking statements include, without limitation, statements regarding: information regarding the replacement, deployment, and acquisition of certain numbers and types of aircraft, and projected expenses associated therewith; costs of compliance with FAA regulations and other rules and acts of Congress; the passing of taxes, fuel costs, inflation, and various expenses to our customers; the relocation of certain operations of Mesa; the resolution of litigation in a favorable manner and certain projected financial obligations; statements concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, and future economic performance; and statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- changing business conditions in certain market segments and industries;
- changes in Mesa's code-sharing relationships;
- an increase in competition along the routes Mesa operates or plans to operate;
- availability and cost of funds for financing new aircraft;
- changes in general and/or regional economic conditions;
- changes in fuel prices;
- Mesa's relationship with its employees and the terms of future collective bargaining agreements;
- the impact of current and future laws;
- additional terrorist attacks;
- Congressional investigations, and governmental regulations affecting the airline industry and Mesa's operations;
- bureaucratic delays;
- amendments to existing legislation;
- consumers unwilling to incur greater costs for flights;
- our ability to operate our Hawaiian airline service profitably;

- unfavorable resolution of legal proceedings involving Mokulele Airlines regarding our Hawaiian operation, and Delta regarding our code-share agreement;
- unfavorable resolution of negotiations with municipalities for the leasing of facilities;

- our ability to successfully negotiate and enter into mutually acceptable definitive documentation and consummate the transactions contemplated by the agreement entered into on February 26, 2009 with Shenzhen Airlines relating to Kunpeng Airlines;

- industry competition; and

- other factors discussed under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," and "Regulation."

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares of our Common Stock by the selling shareholder.

MARKET FOR OUR Common Stock AND RELATED SHAREHOLDER MATTERS

Price Range of Common Stock

Our Common Stock is traded on The NASDAQ Global Select Market under the symbol "MESA." The following table sets forth, for the time periods indicated, the high and low sales prices of our Common Stock as reported on The NASDAQ Global Select Market.

	Fiscal 2009		Fiscal 2008		Fiscal 2007	
	High	Low	High	Low	High	Low
Quarter						
First	$0.48	$0.17	$5.27	$3.09	$9.20	$7.41
Second	—	—	$3.70	$2.21	$8.71	$7.27
Third	—	—				

$2.37

$0.44

$8.00

$6.61

Fourth

—

—

$0.55

$0.30

$7.09

$4.44

On March 27, 2009, the last reported sale price of our Common Stock on The NASDAQ Global Select Market was $0.14.

Holders of Record

As of March 27, 2009, there were approximately 962 holders of record of our Common Stock.

Dividend Policy

We have never paid cash dividends on our Common Stock. The payment of future dividends is within the discretion of our board of directors and will depend upon our future earnings, if any, our capital requirements, bank financing, financial condition and other relevant factors.

Equity Compensation Plans

The following table sets forth certain information as of September 30, 2008, concerning outstanding options and rights to purchase Common Stock granted to participants in all of the Company's equity compensation plans (including the Outside Director's Stock Option Plan) and the number of shares of Common Stock remaining available for issuance under such equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)		Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	1,390,839	$	6.41	900,517
Equity compensation plans not approved by security holders (1)	836,000		8.49	-
Total	2,226,839	$	7.19	900,517

(1) The Board of Directors adopted the 2001 Key Officer Plan on July 13, 2001. An aggregate of 2,000,000 shares are authorized for issuance under this plan. The Company's Chief Executive Officer and President are the only persons eligible to participate in the plan.

Stock Performance Graph

The following graph compares total shareholder returns of Mesa Air Group, Inc. for the five-year period ended September 30, 2008, with the total returns of the AMEX Airline Index (Peer Group) and an index of the NASDAQ Composite Index. The graph assumes that $100 was invested September 30, 2003 in Mesa Air Group, Inc. stock and equally across all stocks included in the indices, and covers the period through September 30, 2008. Total return includes reinvestment of all dividends.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes that appear elsewhere in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors."

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and the related notes thereto, and the Selected Financial Data and Operating Statistics contained elsewhere in this prospectus.

Fiscal 2008 and the beginning of fiscal 2009 has been a period of challenges and modest successes for us. Most significantly, we reached legal settlements with both Hawaiian Airlines, Inc. ("Hawaiian Airlines") and certain affiliates of The Yucaipa Companies LLC (collectively, "Yucaipa"), which purchased the rights of a lawsuit initially brought by Aloha Airlines, Inc. and Aloha Air Group Inc. (collectively, "Aloha Airlines") against the Company, and during February 2009 we retired $133.4 million in debt in exchange for $6.7 million in cash, 117.1 million shares of Common Stock, and $17.2 million in aggregate principal amount of 2012 Notes.

While the airline industry in general, and Mesa in particular, face a number of challenges in today's operating environment, we remain resolutely committed to returning the Company to sustained profitability and delivering the best service possible to our passengers and airline partners.

Recent Developments

Settlement of Litigation

In the Hawaiian Airlines settlement, we recovered $37.5 million from a bond being held by the United States Bankruptcy Court for the District of Hawaii. On November 8, 2008, we announced our entry into a settlement agreement with Yucaipa concerning the Aloha Airlines' lawsuit over Mesa's Hawaiian inter-island flight services operated under the ***go!*** brand name. Pursuant to the settlement, we paid Yucaipa $2.0 million in cash, issued to Yucaipa stock equal to 10% of our then outstanding shares (or 2,692,800 shares) and agreed to provide inter-island travel benefits to certain former Aloha Airlines employees. Under the terms of the settlement, if Yucaipa is able to purchase the "Aloha" name in Aloha Airlines' bankruptcy court auction, it will license the "Aloha" name to Mesa. We agreed to the terms of these settlements without admitting any wrongdoing. For more information regarding the terms of our settlement with Yucaipa, see "Business-Legal Proceedings."

Expansion of go!

Also during fiscal 2008, ***go!*** expanded capacity in Hawaii: available seat miles increased by 9.2% over the prior year. After only 17 months in operation we congratulated our one millionth passenger. In the first quarter of fiscal 2009, we continued to expand our Hawaiian capacity, with available seat miles increasing 15.4% in comparison to the same period in the prior fiscal year. During the first quarter of fiscal 2009, ***go!*** generated revenues of $11.6 million, which resulted in a pretax income of approximately $0.6 million. ***go!***'s fuel prices were reduced significantly in such quarter, ***go!***'s departures increased 11.4% and passengers carried increased 11.3% over the first quarter of fiscal 2008. We look forward to the opportunity to continue to grow the Hawaiian segment of our operation.

Retirement of Senior Convertible Notes

During the first two weeks of February 2009, we (i) issued 3,434,000 shares of our Common Stock, in satisfaction of our obligation to repurchase $1.4 million in aggregate principal amount at maturity of our 2023 Notes from holders of 2023 Notes that had exercised their put rights arising under the indenture governing the 2023 Notes and forbearance agreements between the Company and these holders, and (ii) completed transactions with certain holders of our 2023 Notes to purchase an additional $29,071,250 face amount of 2023 Notes in exchange for a total of $1,844,431 in cash, 8,430,457 shares of its Common Stock and $983,937 in aggregate principal amount of our 2012 Notes.

Also during February 2009, we repurchased $19,278,000 in aggregate principal amount at maturity of our 2024 Notes from holders of 2024 Notes that had exercised their put rights arising under the indenture governing the 2024 Notes, including $6,504,000 in aggregate principal amount at maturity of 2024 Notes pursuant to certain puts the Company agreed to accept on February 17, 2009. In consideration for the $19,278,000 in face value of 2024 Notes, we issued 94,269,420 shares of Common Stock.

On February 17, 2009, we entered into separate agreements with certain holders of our 2024 Notes to (i) exchange $83.7 million in aggregate principal amount at maturity of the 2024 Notes for an aggregate of $4.9 million in cash, 10.9 million shares of Common Stock, and $16.3 million in aggregate principal amount of the 2012 Notes. The issuance of the Common Stock and 2012 Notes in the exchange closed on February 25, 2009.

Prior to the transactions that occurred in February 2009 and described above, $52.1 million in aggregate principal amount at maturity of 2023 Notes and $120.4 million in aggregate principal amount at maturity of 2024 Notes were outstanding. In total, pursuant to the transactions described above, we retired $30.4 million face amount of 2023 Notes and $103.0 million face amount of 2024 Notes in exchange for $6.7 million in cash, 117.1 million shares of Common Stock and $17.2 million principal amount of 2012 Notes. $21.7 million in face value of the 2023 Notes was not put to the Company or otherwise repurchased and thus remains outstanding. The outstanding 2023 Notes may be put to the Company no earlier than June 16, 2013. $17.4 million in aggregate principal amount at maturity of the 2024 Notes was not put or otherwise repurchased and thus remains outstanding. Such outstanding 2024 Notes may be put to the Company no earlier than February 10, 2014. When the 2023 Notes and 2024 Notes become putable in June 2013 and February 2014, respectively, we have the right to elect to pay the purchase price in cash or shares of our Common Stock or in a combination of cash and shares of our Common Stock in accordance with the terms of the Indenture.

Kunpeng Airlines

On February 26, 2009, the Company entered into an agreement with Shenzhen Airlines relating to Kunpeng Airlines. Under the agreement, Mesa will sell its interest in Kunpeng Airlines to Shenzhen Airlines or its nominee, outstanding aircraft lease payments owed by Kunpeng Airlines to Mesa will be settled and Mesa's lease of five CRJ-200 aircraft to Kunpeng Airlines will terminate pursuant to mutually acceptable definitive documentation. In total, Mesa will receive $4.5 million, which amount will be offset by Mesa's return of security deposits totaling $0.9 million. Based on the terms agreed to in the agreement, the Company will record a loss on equity method investment in the second quarter 2009. Although the parties expect to consummate the transactions contemplated by the agreement by mid-April 2009, no assurance can be given that the parties will close within such timeframe. We expect the Kunpeng aircraft to be returned to the Company in April 2009.

Other Developments

Maintenance expense decreased $22.8 million, or 31.7%, to $49.2 million in the first quarter of fiscal 2009, from the same period in fiscal 2008. The decrease in maintenance is primarily due to a decrease in engine repair costs associated with the termination of power by the hour programs, and a decrease in expense associated with component contracts due to contract amendments. On a go forward basis, our maintenance expense will fluctuate based on actual cost incurred due to the termination of power by the hour programs.

In the first quarter of fiscal 2009, Mesa financed certain rotable spare parts in the amount of $2.9 million at an annual interest rate of 3.2% for 60 months. The first principal payment of $82,057 is due and payable on the 21st month.

Interest will be accrued and added to the principal of the note for the first 20 months of the arrangement.

Also during the first quarter of fiscal 2009, Mesa paid $1.4 million to purchase approximately 9.5% of their outstanding Senior Convertible Notes due in 2023 and 2024 in the amount of $2.0 million and $7.6 million, respectively. The transaction after the payment of accrued interest, commissions and the write off of deferred debt issuance costs, resulted in a gain of $8.1 million which has been recorded in the Condensed Consolidated Statement of Operations, which are included elsewhere in this prospectus in gain on extinguishment of debt.

Fleet

Aircraft operating on:

Type of Aircraft	December 31, 2008	September 30, 2008	September 30, 2007	September 30, 2006
CRJ- 200/100 Regional Jet	43 (1)(2)	49 (1)	52	60
CRJ-700 Regional Jet	20	20	20	15
CRJ-900 Regional Jet	38	45	38	38
Embraer 145 Regional Jet	34 (3)	34 (3)	36	36
Beechcraft 1900D	-	-	20 (4)	20
Dash-8	16	16	16	22
Total	151	164	182	191

(1) Includes five CRJ-200's currently subleased to Kunpeng Airlines.
(2) Includes two non-revenue generating operational spares.
(3) Two ERJ-0145 jets are currently being subleased to an unaffiliated airline, Trans States Airlines.
(4) These aircraft are associated with Air Midwest and are included within assets of discontinued operations.

Rotable Spare Parts Maintenance Agreements

In fiscal 2005, we entered into a ten-year agreement with AAR Corp. (the "AAR Agreement") for the management and repair of certain of our CRJ-200, -700, -900 and ERJ-145 aircraft rotable spare parts inventory. The agreement was completed in November 2005. Under the AAR agreement, AAR purchased certain of our existing rotable spare parts inventory for $39.5 million in cash and $21.5 million in notes receivable. As of September 2007, $6.5 million remained outstanding and was due by AAR to Mesa at various dates over the next 2 years.

On April 1, 2008, AAR and Mesa entered into an agreement to settle the remaining outstanding amounts. Under the agreement Mesa owed AAR an aggregate of $5.4 million and AAR was obligated to pay Mesa $6 million in connection with AAR's acquisition of parts inventory. The amounts were offset and debt extinguished.

Summary of Financial Results - Continuing Operations

During the first quarter of fiscal 2009, we recorded consolidated net income from continuing operations of $15.5 million, representing basic and diluted income per share from continuing operations of $0.56 and $0.46, respectively. This compares to a consolidated net loss from continuing operations of $2.8 million or $0.10 basic and diluted income per share in the first quarter of fiscal 2008. During fiscal 2008, Mesa recorded a consolidated net loss from continuing operations of $5.7 million, representing a basic and diluted loss per share of $0.21. This compares to a consolidated net loss from continuing operations of $71.5 million or $(2.31) per diluted share in fiscal 2007 and consolidated net income from continuing operations of $37.1 million or $0.91 per diluted share in fiscal 2006.

Approximately 96% of our passenger revenue during fiscal 2008, and 95.9% during the first quarter of fiscal 2009, was associated with revenue-guarantee code-share agreements. Under the terms of our revenue-guarantee code-share agreements, our major carrier partner controls the marketing, scheduling, ticketing, pricing and seat inventories. Our role is simply to operate our fleet in the safest and most reliable manner in exchange for fees paid under a generally fixed payment schedule. We receive a guaranteed payment based upon a fixed minimum monthly amount plus amounts related to departures and block hours flown in addition to direct reimbursement of expenses such as fuel, landing fees and insurance. Among other advantages, revenue-guarantee arrangements reduce our exposure to fluctuations in passenger traffic and fare levels, as well as fuel prices. The remaining passenger revenues are derived from our ***go!*** operations. In fiscal 2008 and during the first quarter of fiscal 2009, approximately 95.5% and 94.8%, respectively of our fuel purchases were reimbursed under revenue-guarantee code-share agreements.

Results of Continuing Operations

The following tables set forth selected operating and financial data of the Company for the periods indicated below.

Operating Data

	Three Months Ended December 31,		Years Ended September 30,		
	2008	2007	2008	2007	2006
Passengers	3,179,668	3,587,044	13,453,831	15,993,110	14,506,666
Available seat miles ("ASM") (000's)	1,730,437	2,120,137	8,027,966	8,996,959	8,980,470
Revenue passenger miles (000's)	1,327,409	1,550,131	6,020,008	6,879,624	6,777,016
Load factor	76.7%	73.1%	75.0%	76.5%	75.4%
Yield per revenue passenger mile (cents)	20.1	21.1	22.0	18.9	19.0
Revenue per ASM (cents)	15.4	15.4	16.5	14.4	14.3
Operating cost per ASM (cents)	14.2	15.4	16.4	15.2	13.2
Average stage length (miles)	373	398	403	392	433
Number of operating aircraft in fleet	151	183	159	162	171
Gallons of fuel consumed	33,411,870	41,455,546	154,814,813	201,526,868	205,593,333
Block hours flown	109,736	128,558	476,368	564,379	522,884
Departures	73,363	84,984	310,956	378,291	338,888

OPERATING EXPENSE DATA
Three Months Ended December 31,

	2008		2007	
	Costs per ASM (cents)	% of Total Revenues	Costs per ASM (cents)	% of Total Revenues
Flight operations	$ 4.94	32.2%	$ 4.41	28.7%
Fuel	$ 4.54	29.6%	$ 5.47	35.5%
Maintenance	$ 2.84	18.5%	$ 3.38	22.0%
Aircraft and traffic servicing	$ 0.95	6.2%	$ 0.93	6.0%
Promotion and sales	$ 0.06	0.4%	$ 0.04	0.2%

General and administrative	$	0.67	4.3%	$	0.71	4.6%
Depreciation and amortization	$	0.50	3.3%	$	0.45	2.9%
Total operating expenses	$	14.51	94.7%	$	15.40	100.0%
Interest expense	$	-0.47	-3.1%	$	(0.46)	-3.0%
Interest income	$	0.06	0.4%	$	0.12	0.8%
Gain on extinguishment of debt	$	0.47	3.1%	$	-	0.0%
Loss from equity method investment	$	0.07	0.5%	$	(0.05)	-0.3%
Other income (expense)	$	-0.03	-0.2%	$	0.18	1.2%

Note:

numbers in table may not recalculate due to rounding

OPERATING EXPENSE DATA
Quarter Ended December 31,

	2008			2007		
	Amount (000s)	% of Total Net Revenues	Cost per ASM (cents)	Amount (000s)	% of Total Net Revenues	Cost per ASM (cents)
Flight operations	$ 85,492	32.2 %	4.9	$ 93,571	28.7%	4.4
Fuel	78,535					

		29.6%	4.5
	115,919	35.5%	5.5
Maintenance	49,162	18.5%	2.8
	72,010	22.0%	3.4
Aircraft and traffic servicing	16,489	6.2%	1.0
	19,655	6.0%	0.9
Promotion and sales	1,120	0.4%	0.1
	781	0.2%	-

General and administrative	11,508	4.3 %	0.7	14,992	4.6 %	0.8
Depreciation and amortization	8,718	3.3 %	0.5	9,587	2.9 %	0.5
Total operating expenses	251,024	94.7 %	14.5	326,515	100.0%	15.4
Interest expense	(8,186)	(3.1)%	(0.5)			

(9,681)

(3.0)%

(0.5)

Interest income

1,109

0.4 %

0.1

2,600

0.8 %

0.1

Loss from equity method investments

1,235

0.5%

(0.7)

(1,052)

(0.3)%

0.1

Gain on extinguishment of debt

8,107

3.1 %

0.5

-

-

-

Other income (expense)

$ (477)

(0.2)%

(0.3)

$K,903

(1.2)%

(0.2)

OPERATING EXPENSE DATA
Years Ended September 30,

	2008			2007			2006		
	Amount (000s)	% of Total Net Revenues	Cost per ASM (cents)	Amount (000s)	% of Total Net Revenues	Cost per ASM (cents)	Amount (000s)	% of Total Net Revenues	Cost per ASM (cents)
Flight operations	$K64,659	27.5 %	4.5	$K82,504	29.5%	4.3	$K68,023	28.6%	4.1
Fuel	517,907	39.1%	6.5	438,010	33.7%	4.9	446,788	34.8 %	5.0
Maintenance	262,868	19.8%	3.3	254,626	19.6%	2.8	213,317	16.6%	2.4
Aircraft and traffic servicing	76,284	5.8%	1.0	82,248	6.3%	0.9	72,615	5.7%	0.8
Promotion and sales	4,682	0.4%	0.1	3,605	0.3%	-	1,990	0.2%	-
General and administrative	83,115	6.3 %	1.0	71,818	5.5 %	0.8	56,940	4.4 %	0.6
Depreciation and amortization	37,674	2.8 %	0.5	39,354	3.0 %	0.4	34,939	2.7 %	0.4
Loss contingency	(31,265)	(2.4)%	(0.4)	86,870	6.7 %	1.0	-	-	-
Bankruptcy and vendor settlements	(27)	0.0 %	-	434	(0.0)%	-	(12,098)	(0.9)%	(0.1)
Impairment and restructuring charges (credits)	209	0.0 %	-	12,367	1.0%	0.1	-	-	-
Total operating expenses	1,316,106	99.2 %	16.4	1,371,836	105.7%	15.2	1,182,514	92.0%	13.2
Interest expense	(36,081)	(2.7)%	(0.4)	(39,380)	(3.0)%	(0.4)	(34,209)	(2.7)%	(0.4)
Interest income	6,511	0.5 %	0.1	14,314	1.1 %	0.2	12,076	0.9 %	0.1
Loss from equity method investments	(5,446)	(0.4)%	(0.1)	(3,868)	(0.3)%	-	(2,490)	(0.2)%	-
Gain on extinguishment of debt	14,680	1.1 %	0.2						-
Other income (expense)	$ 8,919	(0.7)%	0.1	$ (6,216)	(0.5)%	(0.1)	$ (15,824)	(1.2)%	(0.2)

FINANCIAL DATA BY OPERATING SEGMENT

Three Months Ended
December 31, 2008 (000s)

	Mesa/ Freedom	go!	Other	Elimination	Total
Total net operating revenues	$J53,958	$I1,596	$L9,738	$ (50,169)	$J65,123
Total operating expenses	J35,254	I0,703	L7,9840	(42,917)	J51,024
Operating income (loss)	$I8,704	$ 893	$I,754	$ (7,252)	

$I4,099

Three Months Ended
December 31, 2007(000s)

Total net operating revenues

$K20,789

$N,167

$M6,957

$ (57,321)

$K26,592

Total operating expenses

K15,373

I2,749

L7,777

(49,384)

K26,515

Operating income (loss)

$M,416

$ (6,582)

$ 9,181

$ (7,937)

$O7

Year Ended
September 30, 2008 (000s)

Total net operating revenues

$I,283,923

$L3,718

$J07,178

$ (208,708)

$I,326,111

Total operating expenses

I,261,837

O3,681

I61,070

(180,482)

I,316,106

Operating income (loss)

$J2,086

$ (29,963)

$L6,108

$ (28,225)

$I0,005

Year Ended
September 30, 2007 (000s)

Total net operating revenues	$I,278,239	$J5,654	$J74,320	$ (280,149)	$I,298,064
Total operating expenses	I,245,422	K9,587	K28,569	(241,742)	I,371,836
Operating income (loss)	$K2,817	$ (13,933)	$ (54,249)	$ (38,407)	$ (73,772)

Year Ended
September 30, 2006 (000s)

Total net operating revenues	$I,272,206	$ 9,165	$J47,474	$ (243,942)	$I,284,903
Total operating expenses	I,168,390	I5,010	J09,381	(210,267)	I,182,514
Operating income (loss)	$I03,816	$ (5,845)	$K8,093	$ (33,675)	$I02,389

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Quarter Ended December 31, 2008 Versus the Quarter Ended December 31, 2007

Operating Revenues

In the quarter ended December 31, 2008, net operating revenue decreased $61.5 million, or 18.8%, to $265.1 million from $326.6 million for the quarter ended December 31, 2007. Contract revenue decreased $66.4 million, or 20.9%, driven primarily by a $38.2 million or 33.9% decrease in fuel reimbursement revenue and a 10.4% reduction in aircraft in service.

Operating revenues for ***go!*** increased $5.4 million as a result of a 65.4% increase in average fares and an 11.3% increase in passengers. Freight and other revenue increased by $0.5 million primarily due to excess baggage revenue.

Operating Expenses

Flight Operations

In the quarter ended December 31, 2008, flight operations expense decreased $8.1 million, or 8.6%, to $85.5 million from $93.6 million for the quarter ended December 31, 2007. On an ASM basis, flight operations expense increased 11.9% to 4.9 cents per ASM in the quarter ended December 31, 2008 from 4.4 cents per ASM in the quarter ended December 31, 2007. The decrease in flight operations expense is primarily driven by a $6.1 million decrease in wages and employee related expenses. Additionally, there was a net $1.2 million decrease in aircraft and aircraft related lease expense due to a decrease in the number of aircraft leased year-over-year as well as a shift of aircraft types within our fleet. Flight simulator lease expense decreased $1.0 million due to a decrease in pilot training.

Fuel

In the quarter ended December 31, 2008, fuel expense decreased by $37.4 million, or 32.3%, to $78.5 million from $115.9 million for the quarter ended December 31, 2007. On an ASM basis, fuel expense decreased 17.0% to 4.5 cents per ASM in the quarter ended December 31, 2008 from 5.5 cents per ASM in the quarter ended December 31, 2007. Average fuel cost per gallon decreased $0.44, to an average of $2.35 per gallon for the quarter ended December 31, 2008 from an average of $2.79 per gallon for the quarter ended December 31, 2007. The cost per gallon decrease resulted in a $14.8 million favorable price variance, of which $0.6 million was related to ***go!***. The reduction in gallons of fuel purchased in the quarter ended December 31, 2008 resulted in a $22.6 million favorable volume variance. The volume decrease is primarily due to a direct supply agreement with United Airlines that now includes fifteen (including 11 new stations since December 31, 2007) stations. In the quarter ended December 31, 2008, approximately 94.8% of our fuel costs were reimbursed by our code-share partners.

In most cases under our code-share arrangements, the Company is contractually responsible for procuring the fuel necessary to conduct its operations, and fuel costs are then passed through to code-share partners via weekly invoicing. The United Code-Share Agreement contains an option that allows United to assume the contractual responsibility for procuring and providing the fuel necessary to operate the flights that Mesa operates for United. United has now exercised this option at fifteen of the stations we operate, and as a result we no longer incur raw fuel expense but do recognize fuel pass-through revenue and expense for the into-plane fees for these fifteen United stations.

Maintenance

In the quarter ended December 31, 2008, maintenance expense decreased $22.8 million, or 31.7%, to $49.2 million from $72.0 million for the quarter ended December 31, 2007. On an ASM basis, maintenance expense decreased 16.4% to 2.8 cents per ASM in the quarter ended December 31, 2008 from 3.4 cents per ASM in the quarter ended December 31, 2007. The decrease in maintenance is primarily due to a $16.3 million decrease in engine repair cost associated with the termination of power by the hour programs, a $3.5 million decrease in component contracts due to a contract amendment, and a decrease of $1.8 million in wages and overtime due to decreased headcount. Heavy maintenance decreased $1.3 million due to reduced volume. On a go forward basis our maintenance expense will fluctuate based on actual cost incurred due to the termination of power by the hour programs.

Aircraft and Traffic Servicing

In the quarter ended December 31, 2008, aircraft and traffic servicing expense decreased by $3.2 million, or 16.1%, to $16.5 million from $19.7 million for the quarter ended December 31, 2007. On an ASM basis, aircraft and traffic servicing expense increased 2.8% to 1.0 cent per ASM in the quarter ended December 31, 2008 from 0.9 cents in the quarter ended December 31, 2007. This decrease is related to a $3.8 million decrease in our code-share operations, offset by an increase of $0.7 million related to our ***go!*** operations.

Promotion and Sales

In the quarter ended December 31, 2008, promotion and sales expense increased by $0.3 million, or 43.3%, to $1.1 million from $0.8 million for the quarter ended December 31, 2007. The increase is primarily due to an increase in advertising expenses, which includes credit card and booking fees and travel agent commissions. This increase was driven by an increase in passengers due to additional capacity. These expenses relate primarily to our ***go!*** operations. We do not pay promotion and sales expenses under our code-share agreements.

General and Administrative

In the quarter ended December 31, 2008, general and administrative expense decreased $3.5 million, or 23.2%, to $11.5 million from $15.0 million for the quarter ended December 31, 2007. The decrease is primarily due to a $2.2 million decrease in legal expenses resulting from decreased legal activities in our ***go!*** operation, and a $2.1 million decrease in property and sales taxes. Freight and other expenses decreased by $0.5 million, and utilities expenses decreased by $0.3 million resulting from improved telephone and data lines contracts. These decreases were partially offset by a $0.9 million increase in administrative expenses, and a $0.5 million increase in lease expenses.

Depreciation and Amortization

In the quarter ended December 31, 2008, depreciation and amortization expense decreased $0.9 million, or 9.1%, to $8.7 million from $9.6 million for the quarter ended December 31, 2007. The decrease was primarily driven by the cessation of depreciation on fully depreciated equipment.

Interest Expense

In the quarter ended December 31, 2008, interest expense decreased $1.5 million, or 15.4%, to $8.2 million from $9.7 million for the quarter ended December 31, 2007. This decrease is largely attributable to lower aircraft interest rates and fewer aircraft in the fleet, which significantly reduced the total aircraft interest.

Interest Income

In the quarter ended December 31, 2008, interest income decreased $1.5 million, or 57.3%, to $1.1 million from $2.6 million for the quarter ended December 31, 2007. The decrease in the Company's interest income was due to a combination of lower interest rates and lower balances of cash, cash equivalents, restricted cash and marketable securities. At December 31, 2008, the total balance of cash, cash equivalents, restricted cash, and marketable securities was $64.0 million, which was $121.5 million less than the approximate $188.2 million balance at December 31, 2007.

Gain on Extinguishment of Debt

During the quarter ended December 31, 2008 the Company purchased certain 2023 Notes and 2024 Notes at a substantial discount and recorded a gain of approximately $8.1 million.

Income from Equity Method Investments

In the quarter ended December 31, 2008, income from equity method investments increased $2.3 million, to income of $1.2 million from a loss of $1.1 million for the quarter ended December 31, 2007. The increase is primarily due to recognizing income for our share of our investment in a closely held airline related business in the quarter ended December 31, 2008 as compared to recognizing our share of losses in the quarter ended December 31, 2007. This positive variance was partially offset by recognizing income for our share of our investment in Kunpeng Airlines in the quarter ended December 31, 2007.

Other Income (Expense)

In the quarter ended December 31, 2008, other income decreased $4.4 million to an expense of $0.5 million from income of $3.9 million for the quarter ended December 31, 2007. The decrease in income is primarily attributable to the following: net realized gains from the sales of investment securities decreased $0.4 million, unrealized gains on investment securities decreased $3.5 million, and other net gains decreased $0.3 million.

Income Taxes

In the quarter ended December 31, 2008, our effective tax rate decreased to 2.4% from 33.6% for the quarter ended December 31, 2007. The decrease in our effective tax rate is primarily due to the fact that Mesa has fully valued the deferred taxes, the estimated profit this quarter, which would be offset by net operating loss carryforwards, would systematically adjust the amount of valuation allowance recorded against the net operating loss carryforwards. This in turns leaves only the state taxes on stand-alone jurisdictions affecting tax expense.

With the issuance of a significant number of shares of Common Stock in the second quarter of fiscal 2009, it is probable that this will trigger a Section 382 limitation on the utilization of the Company's NOLs. This will have a material impact on the Company's financial statements.

Internal Revenue Code Section 382 rules apply to limit a corporation's ability to utilize existing net operating loss carryforwards once the corporation experiences an ownership change as defined in the rules of Section 382. Generally, an ownership change occurs when within a span of 36 months, there is an increase in the stock ownership by one or more shareholders of more than 50 percentage points. If the Company should incur an ownership change or significant equity event in the future, the Company may be limited to an annual limitation on the use of its net operating loss carryforwards. Management is currently evaluating the impact this will have on the Company's financial statements.

Discontinued Operations

In the fourth quarter of fiscal 2007, we committed to a plan to sell Air Midwest or certain of Air Midwest's assets. In connection with this decision, the Company began soliciting bids for the sale of the twenty Beechcraft 1900D aircraft in operation and began to take the necessary steps to exit the Essential Air Service ("EAS") markets that we serve. As of June 30, 2008 the Company has exited all remaining markets, including EAS. For all periods presented, we reclassified operating results of the Air Midwest turboprop operation to loss from discontinued operations. All assets and liabilities associated with discontinued operations were reclassified to the balance sheet captions "Assets of discontinued operations" and "Liabilities of discontinued operations," respectively, in our consolidated financial statements, which are included elsewhere in this prospectus.

Net loss from discontinued operations for the quarter ended December 31, 2008 was $0.2 million, compared to a loss from discontinued operations of $1.4 million for the quarter ended December 31, 2007. The decrease in net losses from discontinued operations for the comparative year-over-year periods is primarily attributable to Air Midwest's operations ceasing as of June 30, 2008.

Only interest expense directly associated with the debt outstanding in connection with the owned aircraft is included in discontinued operations. No general overhead or interest expense not directly related to the Air Midwest turboprop operation has been included within discontinued operations.

The Company continued to market the remaining 20 Beechcraft 1900D aircraft during the first quarter of 2009. The Company has concluded that the fair value of the remaining 20 aircraft is equal to or greater than the carrying value at December 31, 2008.

FY 2008 Versus FY 2007

Operating Revenues

In the year ended September 30, 2008, net operating revenue increased $28.0 million, or 2.2%, to $1.33 billion from $1.30 billion for the year ended September 30, 2007. Contract revenue decreased $17.1 million, or 1.3%, driven primarily by reduced aircraft in service, including the elimination of our Delta Dash-8 operation at JFK International Airport, which had contributed $32.0 million of revenue in the year ended September 30, 2007. This decrease was partially offset by fuel rates which increased $64.4 million or 15.1%.

Operating revenues for ***go!*** increased $18.1 million as a result of a 48.7% increase in average fares and a 10.0% increase in passengers. Freight and other revenue increased by $2.5 million primarily due to sublease income from our Chinese joint venture. Net operating revenue in the year ended September 30, 2007 was negatively impacted by a ($25.3) million charge for impairment of contract incentives.

Operating Expenses

Flight Operations

In the year ended September 30, 2008, flight operations expense decreased $17.8 million, or 4.7%, to $364.7 million from $382.5 million for the year ended September 30, 2007. On an ASM basis, flight operations expense increased 6.8% to 4.5 cents per ASM in the year ended September 30, 2008 from 4.3 cents per ASM in the year ended September 30, 2007. Due to certain fixed components included within flight operations, the Company was not able to reduce expenses at the same rate as ASM's decreased, resulting in the inverse relationship between the expense decrease and the increase on a per ASM basis. The decrease is primarily driven by a $9.3 million decrease in wages and employee related expenses. Additionally, there was a net $8.3 million decrease in aircraft and aircraft related lease expense due to a decrease in the number of aircraft leased year-over-year as well as a shift of aircraft types within our fleet.

Fuel

In the year ended September 30, 2008, fuel expense increased by $79.9 million or 18.2%, to $517.9 million from $438.0 million for the year ended September 30, 2007. On an ASM basis, fuel expense increased 32.5% to 6.5 cents per ASM in the year ended September 30, 2008 from 4.9 cents per ASM in the year ended September 30, 2007. Average fuel cost per gallon increased $1.16, to an average of $3.34 per gallon for the year ended September 30, 2008 from an average of $2.18 per gallon for the year ended September 30, 2007. The cost per gallon increase resulted in a $179.5 million unfavorable price variance, of which $8.3 million related to ***go!***. The unfavorable price variance was partially offset by a decrease in the gallons of fuel purchased in the year ended September 30, 2008, which resulted in a $99.8 million favorable volume variance. The volume decrease is primarily due to a direct supply agreement with United Airlines at fifteen (including 2 large) stations. In the year ended September 30, 2008, approximately 94.8% of our fuel costs were reimbursed by our code-share partners.

In most cases under our code-share arrangements, the Company is contractually responsible for procuring the fuel necessary to conduct its operations, and fuel costs are then passed through to code-share partners via weekly invoicing. The United Code-Share Agreement contains an option that allows United to assume the contractual responsibility for procuring and providing the fuel necessary to operate the flights that Mesa operates for United. United has now exercised this option at fifteen of the stations we operate, and as a result we no longer incur raw fuel expense but do recognize the related fuel pass-through revenue for the into-plane fees for these fifteen United stations.

Maintenance

In the year ended September 30, 2008, maintenance expense increased $8.2 million, or 3.2%, to $262.9 million from $254.6 million for the year ended September 30, 2007. On an ASM basis, maintenance expense increased 15.7% to 3.3 cents per ASM in the year ended September 30, 2008 from 2.8 cents per ASM in the year ended September 30, 2007. The increase in maintenance is primarily due to a $25.5 million increase in engine repair cost associated with the termination of power by the hour programs and lease returns. This increase was partially offset with a decrease in heavy maintenance of $8.9 million due to a new heavy maintenance contract and cancellation of base maintenance contracts, $3.0 million decrease in expendable parts, primarily volume driven, $2.1 million decrease in component repair due to new contracts, and a $1.5 million decrease in freight due to reduced contract rates and the use of two and three day shipping in place of overnight. Wages, overtime, and wage related expenses decreased $2.5 million due to a decrease in headcount and tight controls on overtime.

Aircraft and Traffic Servicing

In the year ended September 30, 2008, aircraft and traffic servicing expense decreased by $6.0 million, or 7.3%, to $76.3 million from $82.2 million for the year ended September 30, 2007. On an ASM basis, aircraft and traffic servicing expense increased 3.9% to 1.0 cent per ASM in the year ended September 30, 2008 from 0.9 cents per ASM in the year ended September 30, 2007. This decrease is related to a $7.9 million decrease from our code-share operations, offset by an increase of $1.9 million related to our ***go!*** operations.

Promotion and Sales

In the year ended September 30, 2008, promotion and sales expense increased by $1.1 million, or 29.9%, to $4.7 million from $3.6 million for the year ended September 30, 2007. The increase is primarily due to an increase in credit card and booking fees. This increase was driven by an increase in passengers, due to additional capacity and increased number of passengers. These expenses relate primarily to our ***go!*** operations. We do not pay promotion and sales expenses under our revenue-guarantee contracts.

General and Administrative

In the year ended September 30, 2008, general and administrative expense increased $11.3 million, or 15.7%, to $83.1 million from $71.8 million for the year ended September 30, 2007. The increase is primarily due to a $3.9 million increase in flight completion factor penalties involving our code-share partners, a $1.8 million increase in bad debt, and a $0.7 million increase in software expenses. Legal expenses increased by $5.7 million due to litigation involving ***go!***, Freedom Airlines, and our Chinese joint venture. Outside services increased by $3.0 million due to professional consulting expenses, auditing fees, and other outside services. Offset by, a $3.3 million decrease in wages and benefits due to an overall decrease in bonuses and executive wages in fiscal 2008 versus fiscal 2007.

Loss Contingency and Settlement of Lawsuit

On October 30, 2007, the United States Bankruptcy Court for the District of Hawaii found that the Company had violated the terms of a confidentiality agreement with Hawaiian Airlines and awarded Hawaiian Airlines $80.0 million in damages and ordered the Company to pay Hawaiian Airlines' cost of litigation, reasonable attorneys' fees and interest. The Company filed a notice of appeal to this ruling in November 2007 and posted a $90.0 million bond pending the outcome of this litigation. As a result, the Company recorded $86.9 million as a charge to the statement of operations in the fourth quarter of fiscal 2007. On April 29, 2008 the Company reached a settlement with Hawaiian Airlines. While admitting no fault, the Company agreed to pay $52.5 million to Hawaiian Airlines. As a result of the settlement, the Company recorded a $34.1 million credit to the statement of operations in the second quarter of fiscal 2008. The $34.1 million credit is net of $0.3 million in fees incurred related to the bond.

On January 9, 2007, Aloha Airlines filed suit against Mesa in the United States District Court for the District of Hawaii. The complaint sought damages and injunctive relief. Aloha Airlines alleged that Mesa's inter-island air fares were below cost and that Mesa was violating specific provisions of the Sherman Act. Aloha Airlines also alleged breach of contract and fraud by Mesa in connection with two confidentiality agreements, one entered into in

2005 and the other in 2006. Mesa denied any attempt at monopolization of the inter-island market and further denied any improper use of the data furnished by Aloha Airlines while Mesa was considering a bid for Aloha Airlines during its bankruptcy proceedings. On November 28, 2008, Mesa entered into a settlement and release agreement (the "Settlement Agreement"), effective as of November 28, 2008, with Yucaipa, which purchased the Aloha Airlines suit in the bankruptcy case. The Settlement Agreement fully and finally settles all issues and disputes that were raised, or could have been raised, by Yucaipa, Mesa, or Aloha Airlines in connection with the action. Pursuant to the Settlement Agreement, Yucaipa will fully and finally released Mesa and its affiliates, and Mesa will fully and finally released Yucaipa and its affiliates, from all past, present or future claims related to the action, including all claims unknown at the time of execution of the Settlement Agreement, and/or arising out of certain non-disclosure agreements and Mesa's introduction of flight service into the Hawaiian inter-island market. In consideration for Yucaipa's release, Mesa issued approximately 2.7 million shares of its common stock to Yucaipa and made a cash payment of $2.0 million to Yucaipa. In September 2008, $2.8 million was recorded for the Aloha Airlines settlement, which was 2.7 million shares at $0.31 per share. For more information regarding the terms of our settlement with Yucaipa, see "Business-Legal Proceedings."

Depreciation and Amortization

In the year ended September 30, 2008, depreciation and amortization expense decreased $1.7 million, or 4.3%, to $37.7 million from $39.4 million for the year ended September 30, 2007. Although expenses associated with aircraft rotables increased by 23.0%, they were mostly offset by the cessation of depreciation on fully depreciated equipment as well as impairments, which significantly effected aircraft enhancements, aircraft depreciation, and equipment.

Bankruptcy and Vendor Settlements

In the year ended September 30, 2008, there was essentially no activity related to bankruptcy settlements. In the year ended September 30, 2008, the Company received 1,935 shares of US Airways Common Stock from its bankruptcy claim against US Airways, Inc. prior to its merger with America West Airlines ("Pre-Merger US Airways"). The Company sold the stock for $26,780. For the year ended September 30, 2007, the Company received approximately 48,000 shares of US Airways Common Stock as part of the Company's bankruptcy claim against Pre-Merger US Airways. The Company sold these shares for $2.4 million, which was offset by a $2.9 million expense in the third quarter of fiscal 2007 for an AAR component repair contract settlement.

Impairments

In fiscal 2008, in accordance with FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company recorded an impairment charge of $0.2 million related to the Midway inventory where the fair value was found to be less than the carrying value of the long-lived assets. In fiscal 2007, the Company recorded an impairment charge of $12.4 million related to leasehold improvements pertaining to certain aircraft under the United and Delta code-share agreements where the gross undiscounted cash flows related to long-lived assets was computed and found to be less than the carrying value of the long-lived assets.

Interest Expense

In the year ended September 30, 2008, interest expense decreased $3.3 million, or 8.4%, to $36.1 million from $39.4 million for the year ended September 30, 2007. This decrease is largely attributable to lower aircraft interest rates and fewer aircraft in the fleet, which significantly reduced the total aircraft interest. Additionally, there was a decrease in convertible notes, which were $101.0 million in fiscal 2008 compared to $137.8 million in fiscal 2007 thereby decreasing the Company's interest expense.

Interest Income

In the year ended September 30, 2008, interest income decreased $7.8 million, or 54.5%, to $6.5 million from $14.3 million for the year ended September 30, 2007. The decrease in the Company's interest income was due to a combination of lower interest rates and lower balances of cash, cash equivalents, restricted cash and marketable securities. At September 30, 2008, the total balance of cash, cash equivalents, restricted cash, and marketable securities was $64.9 million, which was $143.7 million less than the approximate $208.6 million balance at September 30, 2007.

Gain on Extinguishment of Debt

In the year ended September 30, 2008 the Company recognized gains on the extinguishment of debt of $14.7 million. During the quarter ended March 31, 2008 the Company purchased certain senior convertible notes due in February 2024 at a substantial discount and recorded a gain of approximately $7.4 million. In the quarter ended June 30, 2008, the Company recognized gains of $7.3 million related to the early retirement of certain senior convertible notes due in June 2023 (approximately $1.5 million) and the sale of 14 Beechcraft 1900D aircraft to Raytheon and the retirement of the associated debt on these aircraft resulting in a gain of approximately $5.8 million.

Loss from Equity Method Investments

In the year ended September 30, 2008, loss from equity method investments increased $1.5 million, to a loss of $5.4 million from a loss of $3.9 million for the year ended September 30, 2007. The increase in losses is primarily due to recognizing a greater loss for our share of our investment in a closely held airline related business in the year ended September 30, 2008 as compared to the year ended September 30, 2007, and a write-down of $0.8 million in the second quarter of fiscal 2008 related to our investment in a closely held emerging markets payment processing related business due to the improbability of recovering our investment. Additionally the Company recognized our share of losses on our investment in Kunpeng Airlines and the write down of our investment in Kunpeng Airlines in the third quarter of fiscal 2008 of $1.3 million.

Other Income (Expense)

In the year ended September 30, 2008, other income increased $15.1 million to income of $8.9 million from an expense of $6.2 million for the year ended September 30, 2007. In the third quarter of fiscal 2008 a $2.1 million gain from the termination of our sublease agreement with Big Sky was recorded. Additionally, net realized gains from the sales of investment securities increased $8.0 million in fiscal 2008, unrealized losses on investment securities decreased $3.6 million in fiscal 2008, and other net gains increased $1.4 million.

Income Taxes

In fiscal 2008, our effective tax rate changed from 34.3% for fiscal 2007 to (306.2)%. The change in our effective tax rate is primarily due to the increase in the valuation allowance on federal and state net operating loss carry forwards of $10.5 million. As of September 30, 2008, we continue to evaluate the deferred tax assets and liabilities and our ability to realize on a go-forward basis.

Results of Discontinued Operations

In the fourth quarter of fiscal 2007, the Company committed to a plan to sell Air Midwest or certain assets therein. Air Midwest consisted of Beechcraft 1900D turboprop operations, which included our independent Mesa operations, Midwest Airlines and US Airways code-share operations. In connection with this decision, the Company began soliciting bids for the sale of the twenty Beechcraft 1900D aircraft in operation and on or before June 30, 2008 exited all of its Essential Air Service ("EAS") markets. All assets and liabilities, results of operations, and other financial and operational data associated with these assets have been presented in the accompanying consolidated financial statements as discontinued operations separate from continuing operations, unless otherwise noted. For all periods presented, we reclassified operating results of the Air Midwest turboprop operations to loss from discontinued operations. See Note 2 to the consolidated financial statements included elsewhere in this prospectus regarding discontinued operations.

Loss from discontinued operations for fiscal 2008 was $23.4 million, compared to a loss from discontinued operations of $10.0 million for fiscal 2007. The increase in net loss from discontinued operations in fiscal 2008 was due primarily to a decrease in revenue that was not proportional to the decrease in expense due to Air Midwest ceasing operations as of June 30, 2008. In accordance with SFAS No. 144, the Company continually considers events or changes in circumstances that indicate the carrying amount of a long-term asset may not be recoverable.

During the third quarter the Company sold 14 of its 34 Beechcraft 1900D aircraft. In connection with these negotiations and in preparation for marketing the remaining 20 Beechcraft 1900D aircraft, the Company concluded that the fair value of the remaining 20 aircraft was less than the carrying value and therefore recorded an impairment charge of $9.1 million during the quarter ended March 31, 2008. The impairment charge is included within loss from discontinued operations in the condensed consolidated statement of operations.

Fiscal 2007 Versus Fiscal 2006

Operating Revenues

In fiscal 2007, net operating revenue remained relatively unchanged at $1.3 billion for fiscal 2007 and fiscal 2006. Although contract revenue increased by $21.6 million, total operating revenues remained relatively unchanged in fiscal 2007 as compared to fiscal 2006. During the second quarter of fiscal 2007 the Company evaluated the recoverability of certain long-term assets which resulted in an impairment charge of $37.7 million. A portion of that charge, $25.3 million, related to certain contract incentives that had previously been paid to United and were reflected against gross revenue in the Statements of Operations. Operating revenues for ***go!*** increased $16.3 million, or 179.3%, primarily due to fiscal 2007 including twelve months of operations at ***go!,*** as compared to four months in fiscal 2006.

Operating Expenses

Flight Operations

In fiscal 2007, flight operations expense increased $14.5 million, or 3.9%, to $382.5 million from $368.0 million for fiscal 2006. On an ASM basis, flight operations expense increased 4.9% to 4.3 cents per ASM in fiscal 2007 from 4.1 cents per ASM in fiscal 2006. The increase is driven by incremental employee related expenses of approximately $13.0 million, which is primarily due to our Delta Dash-8 operation at JFK. In addition there was an increase due to ***go!*** results including twelve months of operations in fiscal 2007***,*** as compared to four months in fiscal 2006.

Fuel

In fiscal 2007, fuel expense decreased by $8.8 million or 2.0%, to $438.0 million from $446.8 million for fiscal 2006. On an ASM basis, fuel expense decreased 2.0% to 4.9 cents per ASM in fiscal 2007 from 5.0 cents per ASM in fiscal 2006. Fuel cost per gallon in fiscal 2007 remained constant at $2.17 per gallon. The amount of fuel purchased in fiscal 2007 decreased resulting in an $8.8 million favorable volume variance. This decrease is due to a new direct supply agreement with United Airlines at three large stations. In fiscal 2007, approximately 97% of our fuel costs were reimbursed by our code-share partners.

Maintenance

In fiscal 2007, maintenance expense increased $41.3 million, or 19.4%, to $254.6 million from $213.3 million for fiscal 2006. On an ASM basis, maintenance expense increased 16.7% to 2.8 cents per ASM in fiscal 2007 from 2.4 cents per ASM in fiscal 2006. The increase in maintenance expense is primarily due to incremental costs of approximately $17.3 million related to changes in maintenance contracts and additional component repair, and aircraft heavy maintenance expense of approximately $19.3 million related to the aging CRJ-200 and Dash-8 fleet. Maintenance expense also increased as a result of increased headcount and the fact that ***go!*** included twelve months of operations in fiscal 2007 as compared to four months in fiscal 2006.

Aircraft and Traffic Servicing

In fiscal 2007, aircraft and traffic servicing expense increased by $9.6 million, or 13.3%, to $82.2 million from $72.6 million for fiscal 2006. On an ASM basis, aircraft and traffic servicing expense increased 13.1% to 0.9 cents per

ASM in fiscal 2007 from 0.8 cents per ASM in fiscal 2006. Aircraft and traffic servicing related to our code-share operations increased $4.9 million, which is primarily due to incremental operations under the Delta contract in 2007 as compared to fiscal 2006. This increase is entirely reimbursed by our contract partner Delta, as it consists of passenger related costs, rents and landings. Aircraft and traffic servicing expenses at go! increased by $4.7 million, which is due to go! including twelve months of operations for fiscal 2007 as compared to four months in fiscal 2006.

Promotion and Sales

In fiscal 2007, promotion and sales expense increased by $1.6 million, or 81.2%, to $3.6 million from $2.0 million for fiscal 2006. The increase is due to ***go!*** results including twelve months of operations in fiscal year 2007 as compared to four months in fiscal 2006. We do not pay promotion and sales expenses under our regional jet revenue-guarantee contracts.

General and Administrative

In fiscal 2007, general and administrative expense increased $14.9 million, or 26.1%, to $71.8 million from $56.9 million for fiscal 2006. The increase is primarily related to bad debt expense, wages and legal expenses. Fiscal 2006 bad debt expense was reduced by the receipt of $7.2 million related to the Pre-Merger US Airways bankruptcy that was previously reserved and other items that were established in fiscal 2005. Wages increased in various corporate departments and legal expenses increased due to litigation involving ***go!*** and the start-up of the Chinese joint venture, Kunpeng Airlines.

Depreciation and Amortization

In fiscal 2007, depreciation and amortization expense increased $4.4 million, or 12.6%, to $39.4 million from $34.9 million for fiscal 2006. The increase was primarily due to the addition of three CRJ-700 aircraft during the second quarter of 2007, as well as a full years' depreciation on aircraft purchased in fiscal 2006. In addition, depreciation and amortization increased due to ***go!*** results including twelve months of operations in fiscal year 2007 as compared to four months in fiscal 2006.

Loss Contingency

On October 30, 2007, the United States Bankruptcy Court for the District of Hawaii found that the Company had violated the terms of a confidentiality agreement with Hawaiian Airlines and awarded Hawaiian Airlines $80.0 million in damages and ordered the Company to pay Hawaiian Airlines' cost of litigation, reasonable attorneys' fees and interest. The Company filed a notice of appeal to this ruling in November 2007 and posted a $90.0 million bond pending the outcome of this litigation. As a result, the Company recorded $86.9 million as a charge to the Statements of Operations in the fourth quarter of fiscal 2007.

Bankruptcy and Vendor Settlements

In fiscal 2007, the Company received approximately 48,000 shares of US Airways Common Stock as part of our bankruptcy claim against Pre-Merger US Airways and recognized an approximate $2.4 million benefit, as compared to a $12.1 million benefit based on shares of US Airways Common Stock received in fiscal 2006. In fiscal 2007, the $2.4 million benefit in bankruptcy settlement was offset by approximately $2.9 million for an AAR component repair contract settlement.

Impairment and Restructuring Charges

In fiscal 2007, in accordance with FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company recorded an impairment charge of $12.4 million (which was in addition to the $25.3 million noted above) related to leasehold improvements pertaining to certain aircraft under the United and Delta code-share agreements where the gross undiscounted cash flows related to long-lived assets was computed and found to be less than the carrying value of the long-lived assets. There was no such impairment charges in the year ended September 30, 2006.

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Interest Expense

In fiscal 2007, interest expense increased $5.2 million, or 15.1%, to $39.4 million from $34.2 million for fiscal 2006. Approximately one-half of this increase is due to higher average outstanding debt balances in fiscal 2007 as compared to fiscal 2006. The remainder of the increase is due to a higher variable rate portion of interest on our long-term debt.

Interest Income

In fiscal 2007, interest income increased $2.2 million, or 18.5%, to $14.3 million from $12.1 million for fiscal 2006. The increase is due to higher rates of return on our outstanding cash and cash equivalents and portfolio of marketable securities.

Loss from Equity Method Investments

In fiscal 2007, loss from equity method investments increased $1.4 million to $3.9 million from $2.5 million for fiscal 2006. The increase is due to our proportional share of losses on our investment in Kunpeng Airlines, which did not begin revenue generating activities until the end of fiscal 2007, our share of losses related to fiscal 2007 investment in the preferred shares of a closely held emerging markets payment processing related business, and losses associated with our 2006 investment in the Common Stock and notes of a closely held airline related business.

Other Income (Expense)

In fiscal 2007, other income (expense) decreased $9.6 million to ($6.2) million from ($15.8) million for fiscal 2006. The decrease is primarily due to $13.1 million in debt conversion expenses in fiscal 2006 that did not recur in fiscal 2007, partially offset by unrealized losses on investment securities.

Income Taxes

In fiscal 2007, our effective tax rate decreased from 40.1% for fiscal 2006 to 34.3%. The decrease in our effective tax rate is primarily due to the rate impact of the inverse relationship of operating losses and non-deductible items as well as increased valuation allowances and state-only tax items.

Results of Discontinued Operations

In the fourth quarter of fiscal 2007, the Company committed to a plan to sell Air Midwest or certain assets therein. Air Midwest consisted of Beechcraft 1900D turboprop operations, which included our independent Mesa operations, Midwest Airlines and US Airways code-share operations. In connection with this decision, the Company began soliciting bids for the sale of the twenty Beechcraft 1900D aircraft in operation and on or before June 30, 2008 exited all of its Essential Air Service ("EAS") markets. All assets and liabilities, results of operations, and other financial and operational data associated with these assets have been presented in the accompanying consolidated financial statements as discontinued operations separate from continuing operations, unless otherwise noted. For all periods presented, we reclassified operating results of the Air Midwest turboprop operations to loss from discontinued operations. See Note 2 to the consolidated financial statements included elsewhere in this prospectus regarding discontinued operations.

Loss from discontinued operations for fiscal 2007 was $10.0 million, compared to a loss from discontinued operations of $3.1 million for fiscal 2006. The increase in net loss from discontinued operations in fiscal 2007 was due to increased maintenance costs and engine overhauls. Only interest expense directly associated with the debt outstanding in connection with the owned aircraft is included in discontinued operations. No general overhead or interest expense not directly related to the Air Midwest turboprop operation has been included within discontinued operations. The carrying value of all assets and liabilities of the discontinued operation approximated fair market value, therefore no adjustments related thereto have been recorded. In addition, no costs associated with exit or disposal activities as contemplated by SFAS No. 146 have been recorded.

Liquidity and Capital Resources

Sources and Uses of Cash

At December 31, 2008, the Company had cash, cash equivalents, and marketable securities (including current and noncurrent restricted cash) of $64.0 million (including $13.6 million of restricted cash), compared to $64.9 million (including $13.9 million of restricted cash) at September 30, 2008. Our cash and cash equivalents and marketable securities are intended to be used for working capital and capital expenditures.

Sources of cash for the quarter ended December 31, 2008, included $12.1 million provided from operations, due primarily to $15.3 million in income from operations, partially offset by other changes in assets and liabilities.

Uses of cash included principal payments on short-term and long term debt of $11.0 million, capital expenditures of $8.2 million offset by the financing of rotable inventory of $3.0 million and the proceeds from receipt of deferred credits of $2.0 million.

As of December 31, 2008, we had net receivables of approximately $26.5 million, compared to net receivables of approximately $32.4 million as of September 30, 2008. The amounts due consist primarily of receivables from our code-share partners, federal excise tax refunds on fuel, manufacturers credits and passenger ticket receivables due through the Airline Clearing House. Accounts receivable from our code-share partners was 32.2% of total gross accounts receivable at December 31, 2008.

Operating Leases

We have significant long-term lease obligations primarily relating to our aircraft fleet. The leases are classified as operating leases and are therefore excluded from our consolidated balance sheets. At December 31, 2008, we have 136 aircraft on lease with remaining lease terms ranging from 1 to 16.2 years**.** Future minimum lease payments due under all long-term operating leases were approximately $1.8 billion at December 31, 2008.

8% Senior Convertible Notes due 2012

In connection with our purchases of 2023 Notes and 2024 Notes during February 2009, which are more fully described below under "-Recent Developments Affecting Our Liquidity," we issued, in the aggregate, $17.2 million in new 8% senior unsecured notes due 2012 (the "2012 Notes"). The 2012 Notes are governed by an indenture dated February 10, 2009, among the Company, the subsidiaries of the Company as guarantors, and U.S. Bank, N.A., as trustee (the "2012 Indenture").

Pursuant to the 2012 Indenture, cash interest is payable on the 2012 Notes at the rate of 8% per year on the principal amount, payable semiannually in arrears on June 15 and December 15 of each year, beginning June 15, 2009, until February 10, 2012, the maturity date of the 2012 Notes. Each of our wholly-owned subsidiaries guarantees the 2012 Notes on an unsecured senior basis. The 2012 Notes and note guarantees are senior unsecured obligations and rank equally with our existing and future senior unsecured indebtedness. The 2012 Notes and the note guarantees are junior to the secured obligations of our wholly-owned subsidiaries to the extent of the collateral pledged.

The Company may redeem the 2012 Notes, in whole or in part, at any time, at a redemption price equal to the principal amount, plus accrued and unpaid cash interest, if any.

3.625% Senior Convertible Notes due 2024

In February 2004, the Company completed the private placement of senior convertible notes due 2024 ("2024 Notes"), which resulted in gross proceeds of $100.0 million ($97.0 million net). Cash interest is payable on the 2024 Notes at the rate of 2.115% per year on the aggregate amount due at maturity, payable semiannually in arrears on February 10 and August 10 of each year, beginning August 10, 2004, until February 10, 2009. After that date, the Company ceased paying cash interest on the 2024 Notes prior to maturity, and they began accruing original issue discount at a rate of 3.625% until maturity. On February 10, 2024, the maturity date of the 2024 Notes, the principal amount of each note will be $1,000. Each of the Company's wholly-owned subsidiaries guarantees the 2024 Notes on an unsecured senior basis. The 2024 Notes and the note guarantees are senior unsecured obligations and rank equally with the Company's existing and future senior unsecured and unsubordinated indebtedness. The 2024 Notes and the note guarantees are junior to any secured obligations of the Company and any of its wholly owned subsidiaries to the extent of the collateral pledged.

During the second quarter ended March 31, 2008, the Company purchased certain of the 2024 Notes with a carrying value of approximately $22.2 million, on the open market. This debt was purchased at a significant discount, and resulted in a gain, net of broker fees, of approximately $7.4 million and is included in gain on extinguishment of debt in the consolidated statements of operations.

As more fully discussed below under "-Recent Developments Affecting Our Liquidity," during February 2009 we purchased a total of $103.0 million in face amount of 2024 Notes in exchange for $4.9 million in cash, 105.2 million shares of our Common Stock and $16.2 million in aggregate principal amount of our new 2012 Notes. Following these purchases, $17.4 million in aggregate principal amount at maturity of 2024 Notes remains outstanding. Such 2024 Notes may be put to the Company no earlier than February 10, 2014. At such time, the Company may pay the purchase price of such notes in cash, Common Stock, or a combination thereof.

6.25% Senior Convertible Notes Due 2023

In June 2003, we completed the private placement of the 2023 Notes, which resulted in gross proceeds of $100.1 million ($96.9 million net). Cash interest was payable on the 2023 Notes at the rate of 2.4829% per year on the aggregate amount due at maturity, payable semiannually in arrears on June 16 and December 16 of each year, beginning December 16, 2003, until June 16, 2008. After that date, we ceased paying cash interest on the 2023 Notes prior to maturity, and the 2023 Notes began accruing interest at a rate of 6.25% until maturity. On June 16, 2023, the maturity date of the 2023 Notes, the principal amount of each note will be $1,000. Each of our wholly-owned subsidiaries guarantees the 2023 Notes on an unsecured senior basis. The 2023 Notes and the note guarantees are senior unsecured obligations and rank equally with our existing and future senior unsecured indebtedness. The 2023 Notes and the note guarantees are junior to the secured obligations of our wholly owned subsidiaries to the extent of the collateral pledged.

The 2023 Notes were sold at an issue price of $397.27 per note and are convertible into shares of our Common Stock at a conversion rate of 39.727 shares per note, which equals a conversion price of $10 per share. This conversion rate is subject to adjustment in certain circumstances. Holders of 2023 Notes may convert their notes only if: (i) the sale price of our Common Stock exceeds 110% of the accreted conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding quarter; (ii) prior to June 16, 2018, the trading price for the 2023 Notes falls below certain thresholds; (iii) the 2023 Notes have been called for redemption; or (iv) specified corporate transactions occur. The 2023 Notes became convertible in 2003. Commencing June 16, 2008, holders of the 2023 Notes had the right to require the Company to redeem the 2023 Notes, in whole or in part, at a redemption price equal to $397.27 per note ($37.8 million in aggregate) plus accrued and unpaid cash interest, if any. Holders also may require the Company to repurchase their 2023 Notes on June 16, 2013 at a price of $540.41 per note plus accrued and unpaid cash interest, if any, and on June 16, 2018 at a price of $735.13 per note plus accrued and unpaid cash interest, if any. The Company may elect to pay the purchase price of the 2023 Notes in cash, Common Stock, or a combination thereof.

In fiscal 2006, holders of $156.8 million in aggregate principal amount at maturity ($62.3 million carrying amount) of the 2023 Notes converted their notes into shares of Common Stock. In connection with these conversions, the Company issued an aggregate of 6.2 million shares of Common Stock and also paid approximately $11.3 million in debt conversion costs to these noteholders. The Company also wrote off $1.8 million in debt issue costs related to these notes. There were no such conversions in fiscal 2007.

The Company recognized a gain in the third quarter of fiscal 2008 on the repurchase of $1.5 million of the 2023 Notes, which is included in gain on extinguishment of debt in the accompanying consolidated statement of operations. Also during the third quarter, the Company purchased approximately $7.0 million of the 2023 Notes at no gain or loss.

During the first quarter of fiscal 2009, the Company purchased approximately $0.8 million in 2023 Notes from holders that entered into Forbearance Agreements with the Company.

As more fully discussed below under "—Recent Developments affecting Our Liquidity," during February 2009 we purchased a total of $30.4 million in face amount of 2023 Notes in exchange for $1.8 million in cash, 11.9 million shares of Common Stock. At March 1, 2009, $1.0 million in aggregate principal amount at maturity of 2023 Notes remains outstanding.

Other Indebtedness and Obligations

In July 2008, the Company and GE entered into a note payable for $22 million to finance Mesa obligation to GE under an agreement with GE, which is discussed in greater detail under the section of this prospectus entitled "Contractual Obligations-Maintenance Commitments." The debt bears interest at LIBOR plus 6% due monthly through 2012.

During January 2007, the Company permanently financed three CRJ-900 and three CRJ-700 aircraft with a combination of senior and subordinated debt totaling $135.3 million. The senior debt, totaling $120.3 million, bears interest at the monthly LIBOR plus 2.25% and requires monthly principal and interest payments. The subordinated debt, totaling $15.0 million, bears interest at a fixed rate of 8.31% and requires monthly principal and interest payments.

In October 2004, the Company permanently financed five CRJ-900 aircraft with $118.0 million in debt. The debt bears interest at the monthly LIBOR plus 3% and requires monthly principal and interest payments.

In January and March 2004, the Company permanently financed five CRJ-700 and six CRJ-900 aircraft with $254.7 million in debt. The debt bears interest at the monthly LIBOR plus 3% and requires monthly principal and interest payments.

In December 2003, we assumed $24.1 million of debt in connection with our purchase of two CRJ-200 aircraft in the Midway Chapter 7 bankruptcy proceedings. The debt, due in 2013, bears interest at the rate of 7% per annum through March 2008, converting to 12.5% thereafter, with principal and interest due monthly.

In September 2003, the Company permanently financed with Raytheon 34 Beechcraft 1900D. The debt was due in monthly payments of principal and interest at a rate of LIBOR plus 1.8% through 2011. On May 16, 2008 the Company sold 14 of its 34 Beechcraft 1900D to Raytheon and in return eliminated approximately $28 million of long-term debt due to Raytheon. At September 30, 2008 approximately $38.0 million of the remaining debt due to Raytheon on 20 Beechcraft 1900D is in discontinued operations.

Restricted Cash

As of December 31, 2008, the Company had $13.6 million in restricted cash. The Company has an agreement with a financial institution for a $15.0 million letter of credit facility and to issue letters of credit for landing fees, workers compensation insurance and other business needs. Pursuant to the agreement, $11.6 million of outstanding letters of credit are required to be collateralized by amounts on deposit. Approximately $2.0 million relates to maintenance deposits and reserves associated with aircraft leased to Kunpeng Airlines.

Recent Developments Affecting Our Liquidity

Settlement of Litigation

In November 2007, we posted a $90.0 million bond in our litigation case with Hawaiian Airlines, which covered the original $80.0 million judgment, $4.7 million in legal fees, $3.4 million in interest and $1.9 million for additional costs. The bond was funded from cash on hand. See disclosure under "Litigation" for a summary of the Hawaiian Airlines litigation and the U.S. Bankruptcy Court's ruling therein. On April 200, 2008, we reached a settlement of our suit with Hawaiian airlines. Under the terms of the settlement and without admitting any wrong doing, we received $37.5 million from the bond it had previously posted with the United States Bankruptcy Court for the District of Hawaii. Hawaiian airlines retained the remaining collateral of the bond totaling $52.5 million.

Retirement of Senior Convertible Notes

On May 20, 2008, the Company's board of directors approved separate agreements (referred to as "Forbearance Agreements") reached by the Company with certain of the holders of its 2023 Notes. As discussed above, holders of the 2023 Notes had the right to require the Company to repurchase the 2023 Notes on June 16, 2008 ("the Put Right") at a price of $397.27 per $1,000 note ("the Put Price") plus any accrued and unpaid cash interest. If all of the holders of the 2023 Notes had exercised the Put Right, the Company would have been required to repurchase the Notes for approximately $37.8 million in cash, Common Stock, or a combination thereof.

Under the terms of the separate Forbearance Agreements, holders holding approximately $77.8 million in aggregate face amount of the 2023 Notes (representing approximately 82% of the aggregate face amount of the 2023 Notes outstanding) agreed to forbear from exercising their Put Right with respect to the 75% in aggregate face amount of 2023 Notes owned by such holders (i.e. $23.2 million of the $37.8 million subject to the Put Right). In consideration for such agreement, the Company agreed to purchase 25% in aggregate face amount of such holder's 2023 Notes at a purchase price equal to 75% of the Put Price and the additional right to require the Company to repurchase such 2023 Notes on January 31, 2009. The Put Price payable on January 31, 2009 was also payable in cash, Common Stock, or a combination thereof, at the Company's election. The Company's aggregate payment obligation with respect to such purchased 2023 Notes was approximately $5.8 million, including accrued and unpaid interest, which was paid on May 27, 2008. In consideration for such forbearance, the Company also agreed to issue to such holders two-year warrants to purchase 25,000 shares of Common Stock for each $1 million in aggregate face amount of 2023 Notes deferred (or an aggregate of approximately 1.46 million shares of Common Stock.) The warrants have a per share exercise price of $1.00, contain anti-dilutive protection for major corporate events, such as stock splits and stock dividends, and are not exercisable to the extent the exercise thereof would cause the holder to beneficially own greater than 4.99% of the Company's outstanding capital stock.

In the first quarter of fiscal 2009. we paid $1.4 million to purchase approximately 9.5% of the outstanding 2023 Notes and 2024 Notes in the amount of $2.0 million and $7.6 million, respectively. The transaction after the payment of accrued interest, commissions and the write off of deferred debt issuance costs, resulted in a gain of $8.1 million which has been recorded in the condensed consolidated statement of operations in gain on extinguishment of debt.

During the first two weeks of February 2009, the Company (i) issued 3,434,000 shares of Common Stock in satisfaction of its obligation to repurchase $1.4 million in aggregate principal amount at maturity of its 2023 Notes from holders of 2023 Notes that had exercised their put rights arising under the indenture governing the 2023 Notes and forbearance agreements between the Company and these holders, and (ii) completed transactions with certain holders of its 2023 Notes to purchase an additional $29,071,250 face amount of 2023 Notes in exchange for a total of $1,844,431 in cash, 8,430,457 shares of Common Stock and $983,937 in aggregate principal amount of the 2012 Notes.

Also during February 2009, the Company repurchased $19,278,000 in aggregate principal amount at maturity of the Notes from holders of 2024 Notes that had exercised their put rights arising under the indenture governing the 2024 Notes, including $6,504,000 in aggregate principal amount at maturity of 2024 Notes pursuant to certain puts the Company agreed to accept on February 17, 2009. In consideration for the $19,278,000 of the 2024 Notes' face value, the Company issued 94,269,420 shares of its Common Stock. In addition, the Company announced its intent to immediately resume discussions with certain holders of 2024 Notes to enter into agreements with such holders imminently on terms substantially equivalent to previously announced agreements that were rescinded.   As described in the immediately following paragraph, certain of these holders have subsequently agreed to enter into agreements with the Company on terms substantially equivalent to the previously announced rescinded exchange agreements.

On February 17, 2009, the Company entered into separate agreements with certain holders of its 2024 Notes to (i) exchange $83.7 million in aggregate principal amount at maturity of the 2024 Notes for an aggregate of $4.9 million in cash, 10.9 million shares of the Company's Common Stock, and $16.3 million in aggregate principal amount of the 2012 Notes. The issuance of the Common Stock and 2012 Notes in the exchange is expected to close on or about February 25, 2009.

Prior to the transactions that occurred in February 2009 and described above, $52.1 million in aggregate principal amount at maturity of 2023 Notes and $120.4 million in aggregate principal amount at maturity of 2024 Notes were outstanding. In total, pursuant to the transactions described above, we retired $30.4 million face amount of 2023 Notes and $103.0 million face amount of 2024 Notes in exchange for $6.7 million in cash, 117.1 million shares of Common Stock and $17.2 million principal amount of 2012 Notes. $21.7 million of the 2023 Notes' face value was not put to the Company or otherwise repurchased and thus remains outstanding. The outstanding 2023 Notes may be put to the Company no earlier than June 16, 2013. $17.4 million in aggregate principal amount at maturity of the 2024 Notes was not put or otherwise repurchased and thus remains outstanding. Such outstanding 2024 Notes may be put to the Company no earlier than February 10, 2014. When the 2023 Notes and 2024 Notes become putable in June 2013 and February 2014, respectively, we may pay the purchase price in cash or shares of our Common Stock or in a combination of cash and shares of our Common Stock.

Delta Litigation Developments

On March 28, 2008 Delta notified the Company of its intent to terminate the Delta Connection Agreement among Delta, the Company, and the Company's wholly owned subsidiary, Freedom Airlines, Inc., alleging failure to maintain a specified completion rate with respect to its ERJ-145 Delta connection flights during three months of the six-month period ended February 2008.

Following Delta's termination notification, the Company filed a Complaint on April 7, 2008 in the United States District Court for the Northern District of Georgia seeking declaratory and injunctive relief. An evidentiary hearing was conducted on May 27 through May 29, 2008. Following the hearing, the Court ruled in the Company's favor and issued a preliminary injunction against Delta.

The effect of this ruling is to prohibit Delta from terminating the Delta Connection Agreement covering the ERJ-145 aircraft operated by Freedom, based on Freedom's completion rate prior to April 2008, pending a final trial at a date to be determined by the Court. On June 27, 2008, Delta filed a Notice of Appeal and on July 15, 2008, Delta filed a motion requesting that the appeal be heard on an expedited basis. Delta and the Company have fully briefed the issue on appeal and oral arguments in the 11th Circuit Court of Appeals were held on January 30, 2009.

While the Company's cash flows from operations and its available capital are sufficient to meet its current operating expenses, lease obligations and debt service requirements for at least the next 12 months, the Company's future cash flow from operations and available capital will be negatively impacted by (i) our ability to secure more flexible credit terms from certain of the Company's other key vendors; (ii) reduced cash payments from our code-share partners related to disputed items under our agreements, (iii) the Company's ability to restructure certain of its aircraft lease obligations and key vendor obligations, and (iv) the results of the Company's ongoing litigation with Delta. There can be no assurance that the Company will be successful in effecting amended lease terms for its existing aircraft lease obligations and obtaining flexible credit terms from existing vendors and suppliers. Unfavorable events arising with respect to negotiations with key lessors and vendors and the Delta litigation could give rise to covenant and payment defaults under the terms of the Company's material operating leases and indebtedness. In the absence of obtaining additional capital through asset sales, consensual restructuring of debt and lease terms and/or similar measures, the Company may be unable to remedy such defaults and may experience additional defaults in the future. The Company's operating leases are subject to termination in the event of default, and the Company's indebtedness may be accelerated in the event of continuing default. Certain lenders could foreclose on Company assets securing their indebtedness. Accordingly, the Company's financial condition could require that the Company seek additional protection under applicable reorganization laws in order to avoid or delay actions by its creditors and lessors which could materially adversely affect the Company's operations and ability to operate as a going concern.

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging or research and development arrangements with the company.

The Company has no off-balance sheet arrangements of the types described in the four categories above that they believe may have material current or future effect on financial condition, liquidity or results of operations.

Contractual Obligations

In connection with our purchases of 2023 Notes and 2024 Notes during February 2009, which are more fully described above under "Liquidity and Capital Resources-Recent Developments Affecting Our Liquidity," we issued, in the aggregate, $17.2 million in aggregate principal amount of the 2012 Notes. The 2012 Notes are governed by an indenture dated February 10, 2009, among the Company, the subsidiaries of the Company as guarantors, and U.S. Bank, N.A., as trustee (the "2012 Indenture").

Under the terms of the 2012 Indenture, cash interest is payable on the 2012 Notes at the rate of 8% per year on the principal amount, payable semiannually in arrears on June 15 and December 15 of each year, beginning June 15, 2009, until February 10, 2012, the maturity date of the 2012 Notes. Each of our wholly-owned subsidiaries guarantees the 2012 Notes on an unsecured senior basis. The 2012 Notes and note guarantees are senior unsecured obligations and rank equally with our existing and future senior unsecured indebtedness. The 2012 Notes and the note guarantees are junior to the secured obligations of our wholly-owned subsidiaries to the extent of the collateral pledged.

The Company may redeem the 2012 Notes, in whole or in part, at any time, at a redemption price equal to the principal amount, plus accrued and unpaid cash interest, if any.

As of December 31, 2008, we had $580.7 million of long-term debt (including current maturities). This amount consisted of $426.5 million in notes payable related to owned aircraft used in continuing operations, $37.1 million in notes payable related to owned aircraft included in liabilities of discontinued operations, $91.5 in aggregate principal amount of our 2023 Notes and 2024 Notes and $25.6 million in other miscellaneous debt.

The following table sets forth our cash obligations (including principal and interest) as of March 31, 2008:

	Payment Due by Period						
	2009	2010	2011	2012	2013	Thereafter	Total
	(In thousands)						
Obligations from Continuing Operations							
Long-term debt							
Note payable related to CRJ700s and 900s (1)	$ 22,475	$ 44,320	$ 43,395	$ 42,452	$ 41,420	$ 213,681	$ 407,743
2023 senior convertible debt notes (assuming no conversions) (2)	-	-	-	-	-	21,694	21,694
2024 senior convertible debt notes	-	-	-	-	-	17,415	