

Hostile Acquisition Offers – The Responsibilities of the Target Board A Case Study of the AirTran Offer for Midwest Airlines

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Summary

Shareholders are at a distinct disadvantage in deciding whether to accept a hostile acquisition offer. They often lack the training, experience and information necessary to make the best decision for themselves. Therefore, shareholders of a target company are highly dependent on the recommendations of their Board of Directors. The Board has a more thorough understanding of the company and its competitive position, access to information about the company that is not publicly available, and the counsel of outside professionals who assist in assessing the offer. In developing their recommendation to shareholders, a Board should consider a number of specific issues in order to appropriately represent the shareholder base. The Midwest Airlines example shows that, while a hostile offer may appear attractive on the surface, there may be a number of reasons that a Board of Directors would rightly recommend rejection of such an offer.

The Purpose of This Study

When a hostile acquisition offer is announced, shareholders of the target company are generally left wondering what to do – tender their shares to the potential buyer or reject the offer. Hostile offers, by their very nature, are played out in the media. The views of the potential buyer and the target are in conflict. The only thing clear to shareholders is that the price offered by the potential buyer appears to be higher than the recent share price of their company. This report will help shareholders understand some of the issues that are typically evaluated by the management and Board of Directors of a target company – issues that are of significant importance to the shareholders. This should better-position shareholders to make a good decision in these matters.

Definition: Unsolicited Acquisition Offer vs. Hostile Acquisition Offer

What is the difference between the two? An unsolicited acquisition offer is an offer received by a company when the company isn't seeking offers. The target company may decide to ignore the offer, reject the offer, enter into discussions with the potential buyer, or accept the offer. While not necessarily desired by the target company, an unsolicited offer does not have to be unfriendly.

A hostile acquisition offer is an unsolicited offer that the potential buyer makes public by informing the media and the target's shareholders. The buyer does this to pressure management and the Board to accept the offer or at least enter into negotiations. While hostile offers are always unsolicited, the reverse is not true.

Beyond Cynicism

When a public company is faced with a hostile takeover bid, it is the Board of Directors’ responsibility to look out for the interests of the shareholders. Boards are elected by shareholders as the shareholders’ representatives in corporate governance.

However, as Directors are normally nominated for their positions by management of the company, there can be a tendency to believe that Boards are more loyal to management than to the shareholders they represent.

While it is not unusual for Directors to have loyalties to management, most Boards are well-informed of their legal responsibilities to shareholders. Given the legal and regulatory scrutiny under which Boards have operated in the last 10 years, most Directors take their responsibilities to shareholders very seriously. In addition, many companies have a policy that only non-management Board members can participate in votes regarding acquisition offers, thereby allowing greater independence from management.

Even the most diligent efforts of Directors will leave some shareholders dissatisfied. This occurs because it is almost impossible that all shareholders would agree on any single issue. Thus, regardless of the decision that is made, some shareholders are going to be unhappy. The best Directors can do is to attempt to represent the majority of shareholders.

Background of Our Case Study – AirTran Targets Midwest Airlines

<u>Potential Buyer</u> - <i>AirTran</i>	AirTran Holdings, Inc. (NYSE: AAI) An airline company based in Orlando, FL
<u>Target Company</u> - <i>Midwest or Midwest Airlines</i>	Midwest Air Group, Inc. (Amex: MEH) Parent of Midwest Airlines. Based in Milwaukee, WI

According to a published report, AirTran first approached Midwest with an unsolicited acquisition offer of \$4.25 per share in July 2005. AirTran made another unsolicited offer to Midwest’s Board of Directors in a letter dated October 20, 2006. Spurned by Midwest, AirTran went public with its acquisition offer on December 13, 2006. Since then, AirTran has adjusted the terms of its offer twice – most recently on April 2, 2007.

What Factors Should a Board Consider?

When a company receives any acquisition offer, the Board of Directors clearly has an obligation to safeguard the interests of shareholders. Accepting an offer simply because the “offered price” is higher than the recent share price, does not safeguard shareholder interests.

In order to appropriately protect and represent shareholders, Boards must weigh many factors in determining how to respond to such an offer. In this manner, they may arrive at a decision that, while not intuitively obvious to outsiders, is indeed in best interest of the shareholders.

What are some of the factors that should be considered?

1. Is the potential buyer trying to buy the company at a bargain price?
2. Might the share price of the target rise to higher levels without an acquisition?
3. Is it a cash offer?
4. What is the value of the offered shares?
5. Would our shareholders want to own the offered shares?
6. What are the potential tax consequences to shareholders?
7. Should the Board represent investors or speculators?

While the above list is not meant to be all-inclusive, it does include a number of issues that many shareholders may not consider. We address each of these issues individually in the sections that follow.

1. Is the potential buyer trying to buy the company at a bargain price?

In most cases, the obvious answer is “Yes.” While there may occasionally be circumstances when a buyer would offer a fair or above-value price for competitive reasons, this is not the norm. This is particularly true when an unsolicited offer becomes a hostile offer.

If the price offered were “more than fair,” most Boards of Directors would have a difficult time rejecting such an offer. From a legal perspective, it would be a very risky move. Thus, for an offer to become hostile, the Board generally has some reason to believe that they are on solid legal ground in spurning the potential buyer.

What do we mean by “bargain price?” There is a common misperception that the stock market efficiently prices stocks. Efficient Pricing Theory suggests that all relevant “known” information is included in a stock’s price at all points in time. There has long been significant debate regarding the validity of the theory. Regardless, the more immediate point is that the theory only accounts for “known” information. If “all information” known and unknown was always correctly factor into stock prices, stocks would never be over-valued or under-valued. One only has to look at the tech-stock-bubble of several years ago to know with certainty that stocks can become over-valued.

Why is the market inefficient? Several factors account for potential mispricings including: a lack of insight into non-public information, the inability to properly assess potential future results, investor fear and greed, and disparate shareholder goals.

Using Midwest Airlines as an example, the airline industry has been under pressure due to rising fuel prices. This has lowered earnings and, consequently, stock prices throughout the industry. Some airlines have either entered or approached bankruptcy. The airline industry has a long history of cyclicalities. One can easily argue that the industry is currently in a down-cycle. All of this has put pressure on stock prices of these companies.

Every investor knows the old maxim – Buy Low / Sell High. Acquiring companies know the maxim as well. It’s easy to guess that AirTran is indeed trying to buy low. That

would seem to leave Midwest’s investors selling...LOW. We understand why Midwest’s Board could feel this is a bad idea.

2. Might the share price rise to higher levels without an acquisition?

Often, when there is hostile acquisition interest, things are already improving within the target company and /or industry. The problem is that outsiders (investors for example) cannot yet see these improvements.

We’ll provide a couple of examples to demonstrate this phenomenon.

a. AirTran’s initial offer

When AirTran first approached Midwest with an unsolicited acquisition offer in July of 2005, Midwest’s shares were trading at \$2.60 per share and AirTran’s were at \$10.04. As shown in Table 1, by the time AirTran made its hostile offer on December 13, 2006, Midwest’s shares had already risen by 249%, while AirTran’s shares were up only 23%. Over the period, Midwest’s shares proved to be the far superior investment. It is difficult to imagine circumstances under which AirTran would have raised its original offer enough at the time to provide a more favorable return to Midwest’s shareholders.

AirTran's Initial Offer for Midwest Airlines Share Prices and % Change Table 1			
	Date of Initial Offer <u>07-16-05</u>	Date of Hostile Offer <u>12-13-06</u>	Price Change
Midwest	\$2.60	\$9.08	+249%
AirTran	\$10.04	\$12.35	+23%

NOTES:
 - Share prices are as of the prior close.
 - Only July 2005 was noted in our readings.
 A mid-month date of July 16 has been assumed.

b. A hypothetical hostile offer for Kohl’s

We’ll use another Milwaukee-based company – the Kohl’s Corporation – to further demonstrate the difficulty of assessing future opportunities. In early in 2006, Kohl’s shares traded as low as \$42.78 per share. At this price, the shares were down 46% from their all-time high of \$78.83 in 2002. There had been a series of earnings and revenue growth disappointments and there was talk of growing competitive challenges. It was not uncommon to hear comments questioning management’s ability and the company’s future. This would have been a very opportune time for a competitor to make a hostile acquisition offer.

While no hostile takeover of Kohl’s was attempted, for illustration purposes, we are going to assume that a hostile offer was made under price parameters that parallel the AirTran offer for Midwest.

Potential Buyer - **Hypothetical Retailer**
H-Retailer A major retailer interested in expanding its business

Hypothetical Target - **Kohl’s Corporation** (NYSE: KSS)
Kohl’s A national retailer based in Milwaukee, WI

AirTran’s first offer for Midwest Airlines was 25.3% above the share price at the time of the initial offer. Assuming a pre-offer price of \$42.78 for Kohl’s, if it had received a similarly-priced offer from H-Retailer, it would have come in at \$53.60 per share as shown in Table 2. The second, higher offer would have risen to \$63.14 or 47.6% above the pre-offer price. The third offer would have risen to \$71.48 or 67.0% above the pre-offer price – the same percentage as in Midwest’s case.

Hypothetical Hostile Offer For Kohl's - Using AirTran / Midwest Pricing						
Share Prices and % Change						
Table 2						
	<u>Pre-Offer Price</u> 01-23-06	<u>Hostile Offer Price</u>	<u>1st Offer Increase Price</u>	<u>2nd Offer Increase Price</u>	<u>Price Without Acq. 12 Month High</u>	<u>15 Month High</u>
Kohl's	\$42.78	\$53.60	\$63.14	\$71.48	\$75.54	\$79.55
% Change from Pre-Offer Price		25.3%	47.6%	67.1%	76.6%	86.0%
NOTE:						
- The percentage changes are the same as offered to Midwest by AirTran.						

Now, obviously, this would have appeared to be a very attractive offer. With a share price that had been in distress for over three years and significant concerns about the future of the company, how could the Board of Directors have refused such an offer?

What’s missing in the scenario outlined above is an understanding of ongoing events and the future opportunity for shareholders. For instance, the Board of Directors knew at the time that Kohl’s management had already initiated many changes focused on improving operations, competitive positioning and profitability.

As shown in Table 2, less than one year later, the share price had risen to \$75.54, a 76.6% increase from the \$42.78 level and 40.9% above the original hypothetical acquisition price and 5.7% above the second increase of the hypothetical offer.

Thus, Kohl’s shareholders ended up better off than if the company had been sold under a hypothetical scenario similar to the hostile offer for Midwest Airlines by AirTran.

Within 15 months of the “offer date” the share price reached \$79.55. The shares had climbed 86.0% on the success of the company. The hypothetical acquisition would have brought shareholders only a 67.1% increase.

Are we suggesting that the same will hold true for Midwest Airlines? We can’t know that – just like Midwest’s shareholders, we lack access to the more substantial information and resources available to Midwest’s Board. We can only say that it *could* happen. That’s the point – as an outsider, it’s nearly impossible to make a reasonable assessment. That’s why there is a Board of Directors – to represent the shareholders in this type of decision.

It is clearly difficult for shareholders to accurately assess the current value of a company’s shares. If it had been possible for investors to foresee even the relatively near future, Kohl’s shares certainly would not have been trading as low as \$42.78 per share in early-2006.

Obviously, Midwest’s Board has good reason to say “Thank goodness we didn’t accept that first offer in 2005.” In retrospect it is easy to see that the Board had good reason to believe in the company’s future at that time. It is plausible to believe that Midwest’s Directors are currently recommending the rejection of the AirTrain offer based on their better understanding Midwest’s future.

3. Is it a cash offer?

When someone offers you a \$20 bill, you know exactly what it is worth. Yes, it’s worth \$20. But what if someone offers you 7 ham sandwiches? What are they worth? Obviously, you need more information – you need to know how big they are, the quality of the ingredients, whether they’re fresh, who made them and much more. Even then, can you really determine what they are really worth? Possibly, the bigger question is “Do you really want 7 ham sandwiches?”

What is the point of all this? Well, in a hostile acquisition offer, it is not uncommon for all or a portion of the offer to be shares of the potential buyer. As every investor knows, stocks don’t have a fixed value – the price changes on a daily basis. What happens if the share price of \$20 today falls to \$10 in the future?

As discussed in the previous section, it is difficult for investors to correctly value the shares of a company they own. This problem is compounded when they are offered shares in another company. Now they need to assign a value to the shares of the potential buyer as well as their own company. Compounding difficult processes rarely leads to improved results.

If AirTran had made a cash offer of \$15.00 per Midwest share, the decision for the Board, as representatives of Midwest’s shareholders, would have been greatly simplified.

The question would have come down to “Do we believe Midwest’s shares are worth more than \$15.00 per share?”

However, AirTran’s combination stock-cash offer creates a more complex decision – “Do we believe Midwest’s shares are worth more than \$9.00 per share plus a part of an AirTran share?” The Board is now challenged with having to determine what an AirTran share is worth. It would be imprudent of the Board to simply accept today’s market price. Even if they agreed to sell the company to AirTran, the transaction wouldn’t close today – it would likely take several months. In addition, many shareholders would likely continue to hold the shares long-term. Thus, it is the Board’s duty to evaluate the future outlook for AirTran’s shares. The problem is that Midwest’s Board are outsiders to AirTran’s business and, therefore, not in a very strong position to accurately assess the value of AirTran’s shares. The situation isn’t all that different from Midwest’s shareholder’s challenges in assessing its value.

While AirTran might be willing to share selected non-public information with Midwest’s Board, there would remain a high degree of uncertainty. Issues that would be logical for Midwest’s Board to consider include: AirTran’s ability to integrate the two businesses, the impact on Midwest’s business of AirTran’s very different business model, and much more.

In fairness to Midwest’s Board, it is human instinct to feel more confident in the familiar. In other words, “Yes, we know our company may have some challenges (fuel prices and the like), but at least we know what they are.” The unfamiliar is filled with uncertainties that make change difficult. In the case of a Board considering trading shares of its company for shares of another, this fear is not only natural, it is also healthy and prudent. It is the same feeling most shareholders would have if they had as much information, experience and ability as the Board.

As AirTran’s offer is comprised of approximately 40% AirTran shares, it would only be prudent for Midwest’s Board could be concerned about the future value of AirTran shares.

4. What is the value of the offered shares?

Potential buyers would like target shareholders believe that the buyer’s share price will stay the same or rise in the future. The reality is that sometimes share prices decline.

One of the most memorable and dramatic examples of a substantial price decline following a merger was the acquisition of Time Warner Inc. by America Online Inc. in 2001. America Online paid for the purchase of Time Warner by exchanging its own shares for those of Time Warner. Time Warner shareholders received shares equivalent to approximately 45% of the combined companies.

The shares closed at \$46.30 on January 11, 2001, the day of the acquisition. Over the next four months, the shares rose to \$56.11 and then began a substantial decline. The shares had fallen to only \$9.45 by July 25, 2002 – an 80% decline from the acquisition

date. Since that time, the highest close for the shares was \$22.90 on January 18, 2007 – still a decline of over 50%.

While this is a disturbing scenario, there have been many cases of companies being acquired for stock only to have the acquiring company end up bankrupt and the shares worthless. That is truly the worst case scenario and something that frequently crosses the mind of a target Board.

In the Midwest case, AirTran’s most recent offer is \$9.00 dollars of cash and 0.5842 shares of AirTran per Midwest share. The media repeat over and over that this is an offer of \$15.00 per share. As compared to the recent share price of \$14.65 this appears to be better.

To see the flaw in this view, consider AirTran’s first public offer to Midwest shareholders on December 13, 2006 – see Offer 3 in Table 3. The offer was comprised of \$4.09 in cash and 0.5800 shares of AirTran per Midwest share. *NOTE: While the offer was expressed as a combination of cash and stock, we don’t believe a definitive cash / stock mix was specified. For example purposes, we assumed the same 0.58 of a share specified by AirTran in its following two offers and assumed the balance of the offer would be cash.*

Based on the AirTran share price of \$12.35 at the time, the offer was valued at “\$11.25” per share. This is the figure that is still printed in recent newspaper articles. However, using AirTran’s share price on May 11, 2007, the value of the original offer has declined to “\$10.83” or 3.7% below the originally stated amount. That’s because the AirTran shares have declined 5.9% during the period.

This exemplifies the point that share-based offers can vary in value. Between the time an investor agrees to sell their shares to a potential buyer and the closing of the transaction, it is common for several months to pass. Obviously, if the acquiring company’s shares rise in price, the acquisition value would also rise. However, as explained later in this report, there are often selling pressures following a stock acquisition, making price increases more difficult.

As should every Board, it is reasonable that Midwest’s Board would carefully consider the potential future value of AirTran’s shares in its evaluation of the acquisition offer.

**AirTran’s Acquisition Offers for Midwest Airlines
Share Prices and Values on Relevant Dates (\$) *****

Table 3

	Date of									
	Offer 1	Offer 2	Offer 3	Offer 4	Offer 5	52 weeks		52 weeks		Date of Report
	07-16 2005	10-20 2006	12-13 2006	01-11 2007	04-02 2007	ended Low	12-13-06 High	ended Low	05-11-07 High	05-11 2007
Midwest	\$2.60	\$8.98	\$9.08	\$12.90	\$13.51	\$4.00	\$9.90	\$4.00	\$14.85	\$14.65
AirTran	\$10.04	\$10.60	\$12.35	\$11.92	\$10.27	\$9.06	\$18.85	\$9.06	\$14.95	\$11.62
Offer:										
Cash	\$0.000	\$5.102	\$4.087	\$6.625	\$9.000					
Shares	0.4233	0.5800	0.5800	0.5884	0.5842					
Stated Value	\$4.25	\$11.25	\$11.25	\$13.25	\$15.00					
Calculated Value of:										
Offer 1*	\$4.25	\$4.49	\$5.23	\$5.05	\$4.35	\$3.84	\$7.98	\$3.84	\$6.33	\$4.92
Offer 2*		\$11.25	\$12.27	\$12.02	\$11.06	\$10.36	\$16.04	\$10.36	\$13.77	\$11.84
Offer 3			\$11.25	\$11.00	\$10.04	\$9.34	\$15.02	\$9.34	\$12.76	\$10.83
Offer 4				\$13.64	\$12.67	\$11.96	\$17.72	\$11.96	\$15.42	\$13.46
Offer 5					\$15.00	\$14.29	\$20.01	\$14.29	\$17.73	\$15.79

NOTES:

- 07-16-05*/** Offer 1 - The date of the initial unsolicited offer by AirTran.
- 10-20-06* Offer 2 - The date of the second unsolicited offer by AirTran.
- 12-13-06* Offer 3 - The date Offer 2 was made public (becoming hostile).
The assumed amount of cash changes because the AirTran share price has risen. We have not found any specific mention of the cash / stock mix that was offered. See note * below.
- 01-11-07 Offer 4 - The date of the first public price revision.
The Value of Offer 4 does not match the Stated Value because the Stated Value appears to be based on the Jan. 8 closing price of \$11.26 rather than the Jan. 10 price of \$11.92 which would have been consistent.
- 04-02-07 Offer 5 - The date of the second public price revision.

* No data on the cash / share offer mix could be found. Therefore, 100% stock was assumed for the July 2005 offer and 0.58 shares and the remainder in cash was assumed for the Oct. 20, 2006 and Dec. 13, 2006 offers.

** Only July 2005 was noted in our readings. Mid-month assumed.

*** Offer date share prices are as of the prior close.

5. Would our shareholders want to own the offered shares?

If an investor wanted to own shares of a potential buyer, why wouldn’t they just go out and buy them in the open market? Investors end up owning shares of companies for a wide variety of different reasons. However, one of the worst reasons is “because I received them in an acquisition.” Suddenly, the investor is holding shares of a company that they likely know very little about.

That is one reason that a Board’s endorsement of an acquisition is so important. There is an implied endorsement of the acquiring company and its future. However, a shareholder needs to understand that the endorsement is actually only as of a moment in time. Circumstances are always in a state of change. The Board cannot continue to monitor the performance of the new company, the product cycle, the economy, competitive situations and all of the other factors that result in the relative level of success of a company.

As a result, soon after an acquisition, many shareholders decide to sell their shares. This is particularly true in the case of hostile acquisitions because many times speculators have purchased the shares with the hopes of reaping a short-term gain.

What happens when there is a significant increase in the number of shares of a stock available for sale? It puts downward pressure on the share price. This is not to suggest that share prices always decline following an acquisition, but the pressure is frequently there.

It is reasonable for Midwest’s Board to be concerned about the potential for significant selling of AirTran shares if an acquisition of Midwest takes place. The Board should carefully consider whether they are comfortable implicitly recommending AirTran shares to their long-term shareholders.

6. What are the potential tax consequences for shareholders?

Tax issues are always an important consideration in assessing an acquisition offer. While some acquisitions do not constitute taxable events for shareholders, many do. The issue becomes quite confusing because some investors hold their shares in tax-exempt accounts, while others are taxable. To further confuse the matter, the taxable investors have a wide variety of tax situations. The great challenge for Boards is that they generally have no way of knowing the tax status and situation of their investors. Thus, they are left to consider all possibilities and make some form of determination. It is almost certain that the interests of some shareholders will be in direct conflict with the interests of other shareholders.

For a Board of Directors it is easy to view potential tax implications of an acquisition as a negative.

7. Should the Board represent investors or speculators?

An interesting phenomenon often occurs when a company receives a hostile offer – many of its shareholders decide to sell their shares in the open market, rather than wait to see whether the acquisition will actually take place. This may happen even after the shares have increased by 30% to 40% in a relatively short period of time.

Who would buy the shares after they have already increased by 30% to 40%?

Speculators! These new shareholders are speculating that the shares will rise even higher due to a bidding war or higher offers from the potential buyer. These shareholders are not interested in the long-term prospect of the company – they are seeking short-term gains. In addition, they often promote the acquisition by planting comments favorable to the acquisition in the media, pressuring the Board and threatening or filing lawsuits.

As shareholders of the company, shouldn’t they expect to be represented by the Board of Directors? Shouldn’t their wishes count? We believe the answer is “No.” The Board of Directors was elected by the old shareholders – the ones expecting the company to be well-managed and successful in the long-term.

Companies, by their very nature are long-term in focus. They compete in environments where success is most accurately measured in periods exceeding one year – and often significantly longer. Thus, it seems reasonable to expect that, under normal circumstances, a Board would take a long-term view.

In recent years, Google Inc. has been recognized for its rather aloof approach to Wall Street. Management avoids earnings predictions and has clearly stated that short-term performance is not its focus. Prior to its IPO, Google actually published an “Owner’s Manual” for shareholders, spelling out what shareholders should expect.

While most companies haven’t published their own “Manual,” it seems fair to expect that management and the Board of Directors will take a long-term view. To do otherwise, would certainly be viewed as poor management.

If the new shareholders want to sell the company, they should maintain their holdings at least long enough to elect a new slate of Directors. Yes, the ironic thing is that most Boards have staggered terms, typically with 3-year terms. Thus, it could take two years or more to elect enough Board members to trigger a sale of the company. However, most speculators won’t remain shareholders nearly that long. They are frequently operating on a very short time horizon – looking only for the short-term gain. If an acquisition doesn’t happen quickly, they will generally sell the target’s shares and move on to the next target.

What about the normal, long-term shareholders who would like to take advantage of the price increase offered in the unsolicited offer? How can a company take care of their interests? The interesting thing is that, following the announcement of a hostile acquisition offer, the share price often approaches or exceeds the amount of the offer price. This occurs because the aforementioned speculators quickly purchase the shares, hoping a bidding-war will ensue or that a higher price will be offered. Most shareholders will have an opportunity to sell their shares to these speculators, thus capturing most, if not all, of the acquisition price being offered. In Midwest’s case, the offer that is

currently on the table is “stated” as \$15.00 per share. In recent weeks, the shares have traded as high as \$14.85 per share in the open market. Thus, long-term shareholders have had an opportunity to sell their shares for nearly the offered acquisition price.

It is important to note that, by selling their shares in the open market, these shareholders would be foregoing any potential increase in the offer should Midwest’s Board decide to negotiate with AirTran. However, as mentioned earlier, there is no certainty as to what would happen to AirTran’s share price prior to and immediately after the closing of an acquisition. A sale in the open market at the current price is a sure thing.

Given the long-term nature of companies, we understand why Midwest’s Board might choose to focus more on the interests of its long-term investors.

Conclusion

Boards of Directors have significant responsibilities when confronted with a hostile acquisition offer. These offers are generally high profile and highly contentious, resulting in legal and ethical challenges for Boards in protecting the interests of their shareholder base.

As shown by the Midwest case, assessing hostile offers is complex. Boards must examine a wide variety of issues in determining whether to recommend acceptance or rejection of an offer. The Midwest case shows that there are a number of reasons a Board may recommend rejection of an offer that appears attractive on the surface. Such a recommendation is not easy to make, but Boards are not in place to make easy decision – Boards exist to safeguard shareholder interests.

Disclosure: Neither W. McGinnis Advisors, LLC nor the preparer of this report, William W. McGinnis, CFA, hold any investments related to either Midwest or AirTran. Likewise, neither has any current or past business relationship with either organization. Nothing in this report should be construed to be an investment recommendation related to or and offer to buy or sell the securities of any company mentioned herein.

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W. McGinnis Advisors, LLC specializes in providing expert witness testimony and opinions worldwide in investments and securities cases. The firm, headed by William W. McGinnis, CFA, assists plaintiffs or defendants in cases relating to mergers & acquisitions, stock and business valuations, investment suitability and investment research issues.

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