

TERM SHEET

This Term Sheet identifies proposed terms for the resolution of various issues and claims between ATA Airlines, Inc. ("ATA") and the City of Chicago (the "City") so as to enable ATA, with the consent of the City, to participate in a Midway Gate assignment, relinquishment and exchange arrangement with the City and Southwest Airlines Co. ("SW"). This Term Sheet is for discussion purposes only and does not represent or present a commitment by any of the named parties to any action or agreement. Any such commitment or agreement will be made by execution of a definitive agreement or agreements.

A. Definitions:

"**Accident Claim**" means a claim, totaling \$35,406.74 made by the City against ATA for damages to City property as the result of an accident or collision of an ATA vehicle with an Airport fence, which claim was asserted as of June 8, 2003, in the amount of \$34,911.63 and two smaller claims totaling \$495.11 for unrelated incidents.

"**Airport**" means Chicago Midway International Airport.

"**ATA Letter of Credit**" means the standby Letter of Credit No. SCL009716 issued by National City Bank of Indiana to the City for the account of ATA as security for ATA's performance of the ATA Midway Lease in the face amount of \$1,015,544.

"**ATA Midway Lease**" means the Chicago Midway Airport Amended and Restated Airport Use Agreement and Facilities Lease, dated January 1, 1997, between the City and ATA, including all exhibits and schedules thereto, as amended from time to time.

"**Closing Date**" means the date on which the Midway Gate assignment, relinquishment and exchange is consummated by signed documents among ATA, SW and the City.

"**Fuel Excise Tax and Employer's Expense Tax Claims**" means, collectively, the claims of the City, in the approximate amount of \$466,009.35, for payment of (a) vehicle fuel taxes for fuel purchased by ATA prior to November 1, 2004, including Vehicle Fuel Taxes due for fuel purchases during September and October, 2004, in the aggregate amount of \$450,897.35 (plus pre-petition interest, late fees and penalties); and (b) an Employer's Expense Tax of \$15,112 (plus pre-petition interest, late fees and penalties).

"**Midway Gate**" means, when used in reference to a specific numbered gate at the Airport (such as Midway Gate B-26), the particular gate on a particular concourse at the Airport, and including associated holdroom areas, and aircraft parking areas for such gate. When used in reference to any Midway Gate to be assigned, exchanged or relinquished by ATA, the term does not include (and no assignment, exchange or sale or relinquishment is intended for) the equipment, business fixtures and other tangible personal property of ATA located at or associated with the use and operation of the referenced Midway Gate.

"O'Hare Claims" means, collectively, the following claims by the City against ATA: (i) claim for payment of unpaid passenger handling fees and landing fees in the approximate amount of \$99,221.65 related to operations by ATA at O'Hare International Airport (the **"O'Hare Fee Claim"**) and (ii) claim for payment of unpaid terminal space lease rent and all other rent and charges, excluding only the amounts claimed in the O'Hare Fee Claim, in the amount of approximately \$507,607.59 for the period prior to the rejection by ATA of its lease of premises at Chicago O'Hare International Airport (the **"O'Hare Lease Claim"**). The O'Hare Claims specifically does not include the City's claim for rejection damages ("O'Hare Retained Claim"), and the City retains its unsecured claim for the O'Hare Retained Claim.

"SW Letter of Credit" means the standby letter of credit in the face amount of \$7,088,209.83, dated December 22, 2004 and issued for the account of SW by Citibank, N.A. to the City as security for the outstanding two loans made by or through the City to ATA to fund certain of the construction costs of the improvements which constitute Midway Gates A4a and A4b. Any replacement to this letter of credit shall be issued to the account of SW and shall be subject to the approval of the City as acceptable replacement.

"SW Midway Lease" means the Chicago Midway Airport Amended and Restated Airport Use Agreement and Facilities Lease, dated January 1, 1997, between the City and SW, including all exhibits and schedules thereto, as amended from time to time.

"Training Center Lease" means the Ground Lease between the City, as lessor, and Washington Street Aviation, LLC, a wholly owned subsidiary of ATA Holdings Corp., as lessee, made in 2002.

B. In General:

1. Amendments-In General. ATA now seeks to amend the ATA Midway Lease and SW seeks to amend the SW Midway Lease. The City will seek all approvals required by law, including City ordinances, such that it, will consent and agree to the amendments, as described in this Term Sheet, so long as the "Debt Payments" described below shall have been made and neither ATA nor SW are otherwise in default in the payment or performance of any of their respective obligations under the ATA Midway Lease or the SW Midway Lease that accrue hereafter.

2. SW Letter of Credit and City Loans. The City will consent to a reduction in the face amount of the SW Letter of Credit to the current unpaid balance of the loans secured thereby (the **"City Loans"**), which is approximately \$6,857,000. SW shall confirm by appropriate documentation that the SW Letter of Credit secures payment of the City Loans, as and when due, and that a payment default on the City Loans shall constitute a default entitling the City to draft on the SW Letter of Credit for the full outstanding balance of the City Loans, without objection by SW, but with SW being fully subrogated to all claims and rights of the lenders on the City Loans, which City Loans shall be assigned to SW without warranty and without recourse by such lenders. ATA shall provide in ATA's Plan of Reorganization for full payment of the City Loans in accordance with their original contractual terms, and until its Plan of Reorganization is confirmed and is effective, shall continue to pay, within payment due date

grace periods, the monthly payments of principal and interest which become due and payable on the City Loans. The City shall not object to assumption and treatment of the City Loans in ATA's Plan of Reorganization as provided in this paragraph, or seek to accelerate the maturity thereof by reason of the commencement or pendency of ATA's Chapter 11 case and such treatment in ATA's Plan of Reorganization and the City's lack of objection thereto shall not constitute the basis for any claim by SW to deny the City's right to draft in the amount of full payment of the outstanding balance of the City Loans from the SW Letter of Credit

From and after the Closing Date until the City Loans have been paid in full [to the extent allowable under applicable law and regulations] all rental and lease income received by the City for use of Midway Gates A4a and/or A4b in excess of the amounts ATA would have paid for use of Gates A4a and A4b under the ATA Midway Lease (prior to its amendment as contemplated by this Term Sheet) each month shall be applied as payments of the principal to be paid by ATA on the City Loans in the second month thereafter and if any amount remains unapplied, to the principal scheduled for payment in the following month (and so on), such credit being the same as if ATA had made a payment of principal in that amount in cash of the principal to be paid in the applicable months for which the credit is to be applied. To the extent this arrangement is not permitted by applicable law or regulation, an alternative arrangement, allowable under applicable law and regulations, will be utilized to provide ATA with the credits contemplated by this arrangement. Rental and lease income applied to the City Loans shall not relieve ATA of any obligation under the City Loans to pay any remaining amounts due on the City Loans after credits for applied rental and lease income are applied to the balance

The City shall accept annually an amendment to the SW Letter of Credit reducing its face amount to the then outstanding principal balance of the City Loans.

The City acknowledges that it owes ATA the sums designated in Exhibit B in deferred revenue for payments made under or in connection with the ATA Midway Lease and use of Airport facilities in 2003 (the "2003 Overpayment"), which amount is due to ATA. This payment by the City to ATA shall be made, net of the Debt Payments called for below and designated in Exhibit B.

4. Midway Gates Restructuring. The City, ATA and SW propose to amend the exhibits to the ATA Midway Lease and the SW Midway Lease such that, upon closing, SW's exhibits will include under the SW Midway Lease an additional four (4) Midway Gates, ATA's exhibits will include only one (1) Midway Gate, and the City will have full use, control and all rights to three (3) additional Midway Gates. This will be accomplished by assignments and exchanges of Midway Gates among the City, ATA and SW and a relinquishment by ATA of all of its rights to all but one (1) Midway Gate. The following is a chart which reflects the net change in Midway Gate leasing upon completion of the proposed transaction (that change being called the "Midway Gate Restructuring"):

Midway Gate	Current Lessee (if City noted, neither SW nor ATA is lessee and the Midway Gate is City-controlled)	New Lessee (if City noted, neither SW nor ATA is lessee and the Midway Gate is City-controlled)

A4a	ATA	City
A4b	ATA	City
A10	ATA	City
A12	ATA	City
A14	ATA	SW
A16	ATA	SW
A18	ATA	SW
A19	ATA	SW
B23	City	SW
B24	City	SW
B25	SW	City
B26	SW	ATA

(a) The City (through the Commissioner of the City's Department of Aviation, shall consent following all approvals required by law, including City ordinances, to the Midway Gate Restructuring, including those assignments by ATA and SW of their respective Midway Gate leasehold premises to be assigned, as shown above. Thus, Midway Gates A14, A16, A18 and A19 will be deleted from ATA's leasehold premises and added to SW's leasehold premises; and Midway Gate B26 to will be deleted from SW's leasehold premises and added to ATA's leasehold premises. Where a Midway Gate is presently a City-controlled Midway Gate, and that particular Midway Gate is to become a Midway Gate leased by SW (being Midway Gates B23 and B24), the SW Midway Lease shall be amended to add that particular Midway Gate to the leased premises covered thereby. The assignments or lease additions will include associated holdroom areas, associated passenger loading bridges, associated aircraft parking areas, an amount of area on the applicable concourse's lower level, and, as required, ticket counter space, all to be mutually agreed among ATA, SW and the City. The Midway Gate relinquishments by ATA and SW shall also be reflected and documented in amendments to the ATA Midway Lease and the SW Midway Lease, and all shall be closed concurrently. It is anticipated that the Midway Gate Restructuring will be closed in December, 2005, following required Bankruptcy Court approvals.

Notwithstanding the Midway Gate Restructuring, ATA requires utilization of four contiguous Midway Gates which are presently leased to ATA and utilized by it for the period from the Closing to May 1, 2006. Following the procedures set out in the Midway Use Agreement as to subleases of gates, the City and SW will work out subleases and dedicated uses, or delayed effective dates of assignments or relinquishments, which will accomplish this transition requirement. The City agrees to review expeditiously all matters relating to such subleases. From and after May 1, 2006, ATA will begin its

utilization of Midway Gate B26 and its utilization per the Midway Use Agreement of City-controlled Midway Gate B25.

Neither ATA nor SW is assigning to the other or relinquishing to the City, or waiving in any respect, and each shall retain its rights to repayment from the City of all amounts of deferred revenue and rent and other charges and fees (including landing fees, terminal rents, ramp fees, FIS fees, equipment fees and fueling fees) for which payment in excess of amounts actually owed were made by it at any time and any rights to the return of any letter of credit, bond or other security and release of any claims thereunder to the extent not applied to outstanding and unpaid obligations of it to the City, as expressly provided in this Term Sheet.

(c) The consent by the City to the Midway Gate Restructuring also requires that:

(1) The SW Midway Lease shall be amended to require that, commencing on June 30, 2007, the Midway Gates received by SW by assignment from ATA in the Midway Gate Restructuring shall be so-called Expansion gates and subject to the Daily Average Utilization requirements applicable to Expansion Gates set forth in Section 5.06 of the SW Midway Lease. For purposes of determining whether SW is meeting this Daily Average Utilization requirement, the baseline Daily Average Utilization level at the Airport shall be 25,720 departing seats. Thus, by June 30, 2007, SW must add and maintain an additional 4,000 seats and operate and continue to operate not less than an average of 29,720 daily departing seats at the Airport. In the event that SW fails to meet such Daily Average Utilization requirement for any normal seven (7) consecutive day period after June 30, 2007, the City may, from time to time, upon thirty (30) days' prior written notice to SW terminate the SW Midway Lease with respect to, and delete from, SW's Leased Premises one (1) Midway Gate for each shortfall of 1,000 departing seats per day below such Daily Average Utilization requirement for any such normal seven (7) consecutive day period. Such Daily Average Utilization requirement shall apply only for purposes of determining whether the City may terminate the SW Midway Lease with respect to, and delete from, SW's Leased Premises one or more of the Midway Gates.

(2) The ATA Lease shall be amended to provide that the Midway Gate received by ATA in the Midway Gate Restructuring (being Midway Gate B26) shall not be entitled to any grandfather rights, as set forth in Section 506(b) of the ATA Midway Lease, and any such rights shall terminate upon adding that Midway Gate to the ATA Midway Lease. ATA's utilization of Midway Gate B26 shall be subject to a Daily Average Utilization covenant, as set forth and imposed in Section 506(a) of the ATA Midway Lease. Failure to satisfy that required utilization covenant shall be governed by the terms of the ATA Midway Lease respecting such non-compliance.

5. Amendments to ATA Midway Lease:

(a) The amendment to the ATA Midway Lease will also provide that ATA forever waives and relinquishes any right it or any successor, trustee or purchaser may have to assign its leasehold interests in Midway Gate B26 to a third party during ATA's current or any subsequent bankruptcy case, and that after emergence from bankruptcy, the assignment of any interests in that Midway Gate shall remain subject to the prior approval of the City of Chicago, as provided in the ATA Midway Lease.

(b) Commencing on May 1, 2006 any domestic ATA flights included in the Initial Schedule which cannot be accommodated on Midway Gate B26 shall be accommodated on a City controlled Midway Gate, pursuant to the existing Midway Gate Assignment and Allocation Procedures. The initial City controlled Midway Gate to be utilized pursuant to such procedures shall be Midway Gate B25. A copy of the existing Midway Gate Assignment and Allocation Procedures is attached to this Term Sheet as Exhibit A.

(c) Within 90 days of the Closing Date, the ATA Midway Lease shall be amended to adjust the rent charges to conform to the revision to the ATA Leased Premises, as made by the Midway Gate Restructuring. In addition, as soon as practicable thereafter the City shall accept an amendment to the ATA Letter of Credit reducing its face amount to the amount calculated in accordance with the ATA Midway Lease Agreement, if and only if ATA is current on its obligations to the City under the ATA Midway Lease. In addition, as soon as practicable thereafter SW shall provide the City with an amendment to the letter of credit as required under the SW Midway Lease (in addition to the SW Letter of Credit) increasing its face amount to the amount calculated in accordance with the SW Midway Lease .

C. Debt Payments. ATA shall obtain the approval of the bankruptcy court which has jurisdiction over its Chapter 11 case to the payments called for in this section, as well as the other transactions contemplated by this Term Sheet. The following are the "**Debt Payments**" to be made by ATA as a condition to its assumption of the ATA Midway Lease and closing of the Midway Gate Restructuring. The City agrees that as of the date of this Term Sheet, there are no other "cure payments" which the City has outstanding or will require as a condition to an assumption of the ATA Midway Lease by ATA. The City agrees to accept, and ATA authorizes the City to use the 2003 Overpayment to pay all of the claims contained in Exhibit B.

Upon payment of each of the Fuel Excise Tax, Employer's Expense Tax and Inspection Fees Claims and the Accident Claim, the set aside cash deposit fund established by ATA pursuant to agreement with the City for those particular claims may be terminated by ATA.

Exhibits to the Term Sheet

**Exhibit A Access and Assignment Procedures for City Controlled Domestic
Gates and North Ramp Triangle Pad dated May 1, 2004**

Exhibit B Debt Payments

Exhibit A

Chicago Midway International Airport Access and Assignment Procedures City Controlled Domestic Gates and North Ramp Triangle Pad May 1, 2004

In accordance with Section 5.02(b) of the Chicago Midway International Airport ("Midway" or the "Airport") Amended and Restated Airport Use Agreement and Facilities Lease ("Use Agreement") the following procedures are hereby effective as of 12:01 am on May 1, 2004 to govern the access to and use of City Controlled Domestic Gates (the "Domestic Procedures") and the North Ramp Triangle Pad ("NRTP Procedures"), (collectively, the "Procedures"). These Procedures supercede the Domestic Procedures established on April 1, 2002, and the NRTP Procedures established upon the completion of the North Ramp Triangle Pad ("NRTP").

The Procedures established herein are intended to be consistent with the Use Agreement and may be modified with the approval of the Commissioner provided that such modifications are consistent with the Use Agreement. Where there is any conflict between these Procedures and the Use Agreement, the provisions of the Use Agreement shall apply. No portion of these Procedures shall be deemed to amend the Use Agreement.

All terms shall have the same meanings as set forth in the Use Agreement, unless otherwise defined.

1.0 DEFINITIONS

Advance Planned Schedule – means the schedule of flights, times, destinations and equipment that such Air Carrier intends to operate commencing on the third month after the submission of such schedule. For example, an Air Carrier must submit an Advance Planned Schedule by February 1 that sets forth detail of that Air Carrier's anticipated schedule for May 1.

Air Carrier – means the operator, whether a signatory or non-signatory airline, of an aircraft used in scheduled or non-scheduled passenger air transportation operations at the Airport.

Arrival Only – means a flight by an **Air Carrier** to deplane passengers, bags and cargo.

City Controlled Domestic Gates – means those City Controlled Facilities that do not have access to the FIS Facilities and that may be designated from time to time by the City for use in connection with Domestic Flights.

Departure Only – means a flight by an **Air Carrier** to a **Destination** other than the Airport.

Destination - means an individual airport at a particular location.

Federal Inspection Services or FIS - means those services provided by federal agencies responsible for the inspection of passengers, baggage and cargo entering the United States, including, but not limited to, U.S. Customs, Immigration and Naturalization Service, US Department of Agriculture and US Department of Health.

FIS Facilities – means the Federal Inspection Services facilities at the Airport.

Frequency – means the specified number of days of a week a flight or a **RON** operates.

Gate Coordinator – means the entity or individual approved by the Commissioner to perform the functions described in **Section 2.4**.

Gate Occupancy Time – means the time between the scheduled arrival time of an aircraft at a Gate and the scheduled departure time of that aircraft from the Gate.

Gate Rest Time – means the time between the scheduled departure of one aircraft from the Gate and the subsequent scheduled arrival of another aircraft into the same Gate.

GPRC – means the Gate Planning and Review Committee as described in **Section 2.0** herein.

Grandfathered Flight – means a flight that meets all of the requirements in **Section 4.3**.

Grandfathered NRTP RON – means a NRTP RON that meets all of the requirements in **Section 6.3**.

International Procedures – means the Chicago Midway International Airport Gate Access and Assignment Procedures for the International Gates effective as of May 1, 2004.

New Entrant Air Carrier – means an air carrier with scheduled or non-scheduled passenger air transportation operations which has not operated at the Airport in the immediately preceding Schedule Period and is requesting accommodation in accordance with the City Domestic Gate Procedures.

NRTP – means the North Ramp Triangle Pad.

NRTP RON – means a **RON** which is scheduled to arrive at the **NRTP** after 2100 hours and is scheduled to depart prior to 0800 hours on the following day.

Schedule Period – means a calendar month (i.e., January, February, March, etc.)

RON – means a flight which is scheduled to arrive at a City Controlled Domestic Gate after 2200 hours and scheduled to depart prior to 0700 hours.

Schedule Coordinator – means the entity or individual approved by the Commissioner to perform the functions described in **Section 2.3**.

Turnaround Flight – means an arriving flight that deplanes all passengers, bags and cargo, and is then scheduled for a flight departing from the same gate, with passengers, bags and/or cargo, operating under a different flight number.

2.0 ADMINISTRATION AND AUTHORITY

The administration of the Procedures and the monitoring of the planning and review process will be conducted through the GPRC. The GPRC also administers the International Gate Procedures. The membership of and voting rights of the members of the GPRC will be as set forth in **Section 2.1**.

2.1 GPRC Composition and Voting

(a) Composition. The GPRC consists of the following:

- One representative designated by the Commissioner, who shall serve as chair of the GPRC.
- One representative designated by each Air Carrier that operates on a City gate or the NTRP at Midway.
- One representative designated by the Schedule Coordinator.
- One representative designated by the Gate Coordinator.

(b) Voting. GPRC members may vote as provided herein on matters within the scope of their responsibilities described in **Section 2.2**. The Commissioner must approve all GPRC actions relating to the Procedures in writing before such actions are deemed effective. Such approval shall be in the Commissioner's sole discretion.

- Each Air Carrier representative may vote only with respect to those facilities that the Air Carrier currently uses or is seeking to use. (For example, only Air Carriers currently using or seeking to use the NTRP may vote on NTRP-related issues.) Non-voting Air Carrier representatives may serve as advisory members.
- The Commissioner's representative may vote on all matters.
- The Schedule Coordinator representative and Gate Coordinator representative are advisory members only and have no voting rights.
- A majority of voting members must approve any official action of the GPRC.

2.2 The GPRC shall meet monthly and have the following responsibilities:

- Review and coordinate airline and gate schedules;
- Recommend revisions to the Procedures;
- Notify Air Carriers of the approved Schedule Coordinator and Gate Coordinator;
- Monitor the administration of the Procedures by the Gate Coordinator;
- Request that a weekly gate plan be prepared by the Schedule Coordinator, if necessary; and

- Recommend to the Commissioner resolutions to disputes and conflicts with respect to the application of the Procedures.
- 2.3 The Schedule Coordinator will act as the liaison between the City, Air Carriers and the GPRC and will have the responsibilities as described below:
- Receive schedules in accordance with **Section 3.0**;
 - Evaluate and identify priorities in accordance with the Procedures;
 - Identify Gate access conflicts with proposed schedules;
 - Distribute copies and notify Air Carriers that the Procedures have been adopted and are in place by sending notification to both an Air Carrier's station manager and corporate headquarters;
 - Distribute copies of monthly gate utilization charts to an Air Carrier's station manager and Gate Coordinator;
 - Notify the Gate Coordinator of flight/gate planned activity; and
 - Assist Air Carriers and New Entrant Air Carriers seeking accommodation at Midway.
- 2.4 The Gate Coordinator will have the responsibility for the day-to-day administration of the priority systems as further described in the Procedures for both the City Controlled Domestic Gates and the NRTP, communication of schedule assignments, and the maintenance of use records and statistics. Until otherwise specified by the Commissioner in writing, the Gate Coordinator shall be appointed by MATCO and approved by the Commissioner. The Gate Coordinator will act as liaison between the Air Carriers (GPRC), City Operations, and the Schedule Coordinator.
- 2.5 Any unresolved disputes or conflicts related to these Procedures shall be brought to the GPRC for resolution. The GPRC shall review the dispute or conflict and make a recommendation of a resolution to the Commissioner. The Commissioner's decision shall be final.

3.0 GATE PLANNING AND REVIEW PROCESS

Gate and NRTP planning will be accomplished on a continuous basis using guidelines outlined in this section. A three-step planning and review process will be employed to minimize the potential for conflict. The planning process will include:

3.1 Advance Review

An initial review of the schedules will be conducted by the Schedule Coordinator four-months in advance of each Schedule Period. All Air Carriers must submit, in electronic format or in writing, Advance Planned Schedules to the Schedule Coordinator not later than the first day of each month. The Schedule Coordinator shall communicate with an individual Air Carrier regarding the resolution of any conflicts. The Schedule Coordinator shall review the schedule and all scheduling conflicts with the GPRC and Gate Coordinator.

3.2 Short Term Review

A secondary review will be conducted by the Schedule Coordinator prior to the beginning of each month to confirm the domestic activity for that month. If a schedule change takes place between the Advance Review and the Short Term review that creates a conflict, the Schedule Coordinator will attempt to re-assign the Air Carrier that adjusted its schedule in accordance with the Procedures to the extent that the change can be accommodated. Any changes to flight times made after the Short Term Review will be directed to the Schedule Coordinator to determine if the changes can be accommodated only to the extent that they do not create any conflicts with previously scheduled flights. Once the changes have been finalized, the Schedule Coordinator will advise the Gate Coordinator of the changes as well as update and redistribute the gate plan if required.

3.3 Daily Review:

At the beginning of each day the Gate Coordinator will review that day's gate and NRTP plan with Air Carrier(s) who have questions or issues concerning the plan.

- Air Carriers operating flights will advise the Gate Coordinator of the estimated time of arrival of its flights in accordance with **Section 6.4**.
- Air Carriers operating flights will advise the Gate Coordinator of irregularities and variances from the scheduled arrival and departure times pursuant to **Section 6.5**.
- Should delays occur, the Gate Coordinator will advise the Air Carrier operating the flight of possible location reassignment and times.

3.4 Guidelines

The Schedule Coordinator shall consider the following guidelines when creating schedules in accordance with **Sections 3.1, Section 3.2 and Section 3.3**:

- Attempt to consolidate an Air Carrier's flights on a single gate provided the Air Carrier being accommodated pays the cost of relocating any other affected Air Carriers, and provided that the flight times of the other affected Air Carriers are protected. Grandfathered flights may only be moved from their scheduled gate with the affected carriers' agreement.
- Attempt to move flights being accommodated on a Preferentially Leased Gate to a City Controlled Domestic Gate; and
- Attempt to assign an Air Carrier to a Gate at which the Air Carrier's equipment is already located and installed.

4.0 CITY CONTROLLED DOMESTIC GATE ACCESS PRIORITY SYSTEM

This section establishes the priorities for City Controlled Domestic Gate access. Such priorities were developed in order to maintain maximum gate availability and maximum customer flow through the City Controlled Domestic Gates. The City is committed to encouraging competition and providing access to new entrants and existing Air Carriers seeking to expand service at the Airport. The following priorities will apply to the City Controlled Domestic Gates, and priorities will be set based upon the arrival segment of each flight.

4.1 The following flights are listed in descending order of priority:

- Grandfathered Flights will have priority over non-Grandfathered Flights.
- Flights operated by Air Carriers and *New Entrant Air Carriers* that do not lease or sublease gates at the Airport will have preference over flights operated by Air Carriers that lease or sublease gates at the Airport.
- Advance Planned Flights will have priority over non-Advance Planned Flights
- Daily flights will have priority over less frequent flights
- Flights with greater number of seats will have priority over those with less number of seats.

In addition, other factors relating to competition, including without limitation, destination and new entrant status, may be considered in establishing priorities.

4.2 Only an Air Carrier can establish or maintain a gate access priority for its own flights. Gate access priorities are not transferable among Air Carriers as a result of code-sharing, ground handling arrangements or otherwise.

4.3 The gate allocation package prepared by the Schedule Coordinator will serve as the schedule of Grandfathered Flights for each Schedule Period. A flight will be designated a "Grandfathered Flight" if it meets all of the following requirements:

- The flight was established and operates in accordance with the Gate Procedures in effect
- At the time of Advance Review as described in **Section 3.1**, the flight operated on a City Controlled Domestic Gate in the equivalent Schedule Period of the immediately preceding year.
- The flight's scheduled arrival and departure time does not vary by more than five minutes, plus or minus, from the equivalent Schedule Period of the immediately preceding year.
- The flight maintains the same Frequency as the equivalent Schedule Period of the immediately preceding year.

- The flight is to or from the same location as the equivalent Schedule Period of the immediately preceding year.
- The gauge of the aircraft is the same or greater as the equivalent Schedule Period of the immediately preceding year, but only if **(1)** the gate on which the flight operates is capable of accommodating a larger gauge aircraft, and **(2)** the number of seats on the aircraft is not more than ten seats fewer or is greater than the equivalent Schedule Period of the immediately preceding year.

A change of any of the above characteristics will cause the grandfather rights of the flight to be lost; *provided, however*, that if an Air Carrier increases or decreases the Frequency of a flight, that flight shall retain its grandfather status for only those days of the week for which the Frequency is unchanged from the equivalent Schedule Period of the immediately preceding year. In addition, flights operated by an Air Carrier that obtains additional capacity (*i.e.* additional preferentially leased gates (including preferentially leased gates that become available as part of the TDP) or other space capable of accommodating aircraft and processing passengers) at Midway shall be removed from the Common Use Gates and shall no longer be considered Grandfathered Flights.

RON Flights will be allocated to City Controlled Domestic Gates in accordance with the **Section 4.1** priority system. Unless otherwise permitted by the Commissioner, the RON flight may not arrive at the City Controlled Domestic Gate prior to 2200 hours and must depart from the City Controlled Domestic Gate no later than 0700 hours on the following day.

- 4.4 When practicable, the Commissioner will give 90 days' notice to any Air Carrier if its domestic flight has lost priority and is no longer grandfathered on a City Controlled Domestic Gate as described in **Section 4.3**.

5.0 CITY CONTROLLED DOMESTIC GATE SCHEDULING AND USE PROVISIONS

- 5.1 The use of City Controlled Domestic Gates will be limited by time as a means to maximize gate availability. The following maximum Gate Occupancy Time allocations (in minutes) based upon aircraft passenger capacity, will be allowed to Air Carriers:

Number of Aircraft Seats			
Minutes allowed for:	Less than 70	= 71-150	More than 151
Turnaround	30	60	75
Any Departure Only	20	30	40
Any Arrival Only	20	30	40

- 5.2 Turnaround flights with a Gate Occupancy Time in excess of the maximum defined above will be considered as an independent Arrival

Only and an independent Departure Only for gate scheduling purposes and the associated times for each will apply. Except as approved in **Section 5.3**, Air Carrier's with aircraft scheduled to have such excess ground times will be required to remove the aircraft from the City Controlled Domestic Gates.

5.2.1 The Schedule Coordinator will notify Air Carriers operating scheduled flights in excess of the maximum ground times set forth in **Section 5.1** in writing of the violation. Flights exceeding the maximum ground times set forth in **Section 5.1** will not be granted grandfathered status.

5.2.2 Upon subsequent demand for the gate, the Schedule Coordinator will notify the Air Carrier with the flight in violation of **Section 5.1** of the required scheduled flight time adjustment. Upon such notification the Air Carrier shall adjust its scheduled flight. If the adjustment brings the scheduled flight into compliance with **Section 5.1**, it will then be eligible for grandfathered status.

5.3 Advance planning schedules will not be prepared with less than 20 minutes Gate Rest Time between successive Gate uses. Aircraft must not be scheduled to use any portion of the 20-minute Gate Rest Time. With the prior approval of Gate Coordinator, an aircraft may be permitted to use or remain in a City Controlled Domestic Gate in excess of the time allowance defined above provided that no subsequent demand for the gate exists.

5.3.1 Ground times of less than 20 minutes may be used at the discretion of the Schedule Coordinator used only when the subsequent arrival is the same Air Carrier as the previous departure.

6.0 GENERAL DAY-TO-DAY PROCEDURES

This section describes the general operating conditions for the day-to-day administration of the Gate Access and Assignment Procedures.

6.1 The Gate Coordinator will have the authority to administer the gate assignments based on the Procedures on a day-to-day basis. Disputes/complaints regarding the Gate Coordinator's administration of gate assignments will be mediated by the GPRC.

6.2 Scheduling and assignment of City Controlled Domestic Gates will be in accordance with the priority system described in **Section 4.0**.

6.3 The following minimum Gate Occupancy Times is based upon the departing portion of the delayed arrival, provided it is a turn around flight. In the event that the flight is an arrival only, the "arrival only" times found in the table below will be used. The table below will be used to determine priority on City Controlled Domestic Gates in the event of irregular operations, so long as it does not interfere with other airline scheduled operations.

Number of Departing Passengers			
Minutes allowed for:	Less than 70	= 71-150	More than 151
Turnaround	20	35	45
Any Departure Only	15	25	35
Any Arrival Only	15	20	25

An aircraft that has not arrived at the Gate with at least the above minimum Gate Occupancy Times available prior to its scheduled departure, may lose its priority for that flight, on that specific day. Gate re-assignment will be accomplished in accordance with **Section 6.8** herein.

- 6.4 Air Carriers must report their estimated time of arrival to the Gate Coordinator not less than one hour following the scheduled departure from the origin city, and not less than one hour prior to its scheduled arrival. Status of delayed flights thereafter must be updated every 30 minutes. Repeated failure to do so may result in loss of grandfathered rights for the flight in question.
- 6.5 Air Carriers shall advise the Gate Coordinator if a departing aircraft is delayed more than 10 minutes from its scheduled departure time from a Gate. The Gate Coordinator may order an Air Carrier to tow-off a delayed aircraft from the City Controlled Domestic Gates. Repeated failure to comply may result in loss of grandfathered rights for the flight in question.
- 6.6 In the event of disrupted airfield operations, an aircraft with a pre-approved extended ground time, pursuant to **Section 5.4**, may be required to tow the aircraft off a City Controlled Domestic Gate to an alternative parking position as described in **Section 5.8**.
- 6.7 The Gate Coordinator will attempt to re-assign an aircraft, which lost priority due to a delay, to a new gate at the first available time, at the highest level of priority that is consistent with the original priority level of the flight, provided however, that such reassignment will not displace an Air Carrier operating on schedule. Reassignment of a flight pre-assigned to a City Controlled Domestic Gate may be required to minimize the effects of the delayed flight. The reassignment of on-time flights will be limited to only those times when a higher priority Flight is delayed.

7.0 NRTP PRIORITY SYSTEM

This section establishes the priorities for NRTP access. Such priorities were developed in order to maintain maximum utilization of all available aircraft parking at the Airport.

- 7.1 The following NRTP RONS are listed in descending order of priority:
 1. Grandfathered NRTP RONS

2. NRTP RONs operated by Air Carriers and New Entrant Air Carriers with (a) no preferentially leased or subleased gates; and (b) no other hangar facilities at Midway.
3. NRTP RONs operated by Air Carriers with (a) preferentially leased or subleased gates; but (b) no other hangar facilities at Midway, to the extent that such NRTP RONs cannot be accommodated elsewhere at Midway.
4. NRTP RONs operated by Air Carriers with (a) preferentially leased or subleased gates; (a) and other hangar facilities at Midway, to the extent that such NRTP RONs cannot be accommodated elsewhere at Midway.
5. Irregular operation NRTP RONs.

In addition, other factors relating to competition, including without limitation, destination and new entrant status, may be considered in establishing priorities.

- 7.2 Only an Air Carrier can establish or maintain a NRTP use priority for its NRTP RONs. NRTP access priorities are not transferable among Air Carriers.
- 7.3 The City may, from time to time, publish a schedule of Grandfathered NRTP RONs. A NRTP RON will be designated a “Grandfathered NRTP RON” if it meets all of the following requirements:
 - At the time of Advance Review as described in **Section 3.1**, the NRTP RON was scheduled to the NRTP in the equivalent month of the immediately preceding year.
 - The NRTP RON’s scheduled arrival and departure time does not vary by more than five minutes, plus or minus, from the equivalent Schedule Period of the immediately preceding year.
 - The NRTP RON maintains the same Frequency as the equivalent Schedule Period immediately preceding year.
 - The gauge of the aircraft is the same or greater as the equivalent Schedule Period of the immediately preceding year, but only if **(1)** the pad is capable of accommodating a larger gauge aircraft, and **(2)** the number of seats on the aircraft is not more than five seats fewer or is greater than the equivalent Schedule Period of the immediately preceding year.

A change of any of the above characteristics will cause the grandfather rights of the NRTP RON to be lost; **provided, however**, that if an Air Carrier increases or decreases the Frequency of a NRTP RON, that NRTP RON shall retain its grandfather status for only those days of the week for which the Frequency is unchanged from the equivalent Schedule Period of the immediately preceding year. In addition, NRTP RONs operated by an Air Carrier that obtains additional capacity (*i.e.* additional

preferentially leased gates (including preferentially gates that become available as part of the TDP), hangar facilities, or other space capable of accommodating RON aircraft) at Midway prior to the Schedule Period Advance Review shall not be considered Grandfathered NRTP RONs.

When practicable, the Commissioner will give 90 days notice to any Air Carrier if its NRTP RON will no longer be accommodated on the NRTP.

8.0 NRTP OPERATION PROCEDURES

This section describes the operating conditions for the NRTP:

- 8.1 No aircraft servicing will be allowed on the NRTP, without prior approval of the Commissioner. This includes aircraft maintenance, fueling, or catering. No de-icing will be allowed on the NRTP under any circumstances.
- 8.2 No loading of cargo may occur on the NRTP.
- 8.3 The NRTP RON must not arrive at the NRTP prior to 2100 hours and must depart from the NRTP no later than 0800 hours on the following day without prior approval by the Gate Coordinator.
- 8.4 Air Carriers can schedule an aircraft to the NRTP between 0700 hours and 2100 hours with approval by the Schedule Coordinator under the following provisions:
 - 8.4.1 Schedules are submitted for Advance Review in accordance with **Section 3.1**.
 - 8.4.2 The aircraft is scheduled to be on the NRTP for no more than four hours per operation and a usage fee will apply in accordance with **Section 10**.
 - 8.4.3 The scheduling period should not exceed 120 days.
- 8.5 Air Carriers can use the NRTP between 0700 hours and 2100 hours with approval by the Gate Coordinator under the following provisions:
 - 8.5.1 Aircraft needing to use the NRTP due to delays for adverse weather conditions should coordinate with the Gate Coordinator as soon as the need is known. The Air Carrier will be allocated to the NRTP if space is available.
 - 8.5.2 Aircraft needing to use the NRTP due to mechanical problems are required to notify the Gate Coordinator as soon as the need is known. The Air Carrier will be allocated to the NRTP if space is available. The applicable usage fees apply in accordance to **Section 10**.
- 8.6 No enplaning or deplaning of passengers or busing operation is permitted to or from the NRTP.

- 8.7 Aircraft must be towed to and from the NRTP. Towing must be done pursuant to approval by the Department of Aviation and by personnel who are trained and certified by the Department of Aviation. The NRTP is located near November Taxiway, an active taxiway. Air Carriers must comply with all federal, state and local laws, rules and regulations relating to use of active taxiways. Pedestrian traffic is not allowed on the November Taxiway.
- 8.8 The parking positions may require a first-in-last-out operation if all of the NRTP positions are utilized. The coordination of the placement of aircraft will be scheduled by the Schedule Coordinator and the Gate Coordinator will coordinate the day-to-day operation.

9.0 SPECIAL CONDITIONS

9.1 Alternative Parking Requirements

All carriers will be required to have alternative parking arrangements at a location other than the City Controlled Domestic Gates, in the event the aircraft must be moved to a location other than the City gates. Written notification of alternative parking arrangements will be provided to the Commissioner and to the GPRC. Such written notification will be provided at least 30 days prior to initial service, and will be updated annually on or about January 1.

9.2 Penalty Fees

The Commissioner may adopt penalties in the event a flight on the City Controlled Domestic Gates operates outside its approved Occupancy Gate Time, and does not conform to the Priority Gate and NRTP rules.

10.0 USE CHARGES

The City shall assess a use charge for the use of the City Controlled Domestic Gates and NRTP.

11.0 CHANGES AND REVISIONS

Any changes to the Gate Access and Assignment Procedures contained herein, may be recommended by the GPRC, and can be approved and effected only in writing by the Commissioner; provided, however, that such changes and provisions shall not be inconsistent with the provisions of the Use Agreement. All users will be notified in writing of any changes or revisions at least 30 days prior to their implementation.

The Commissioner shall have the authority to waive these provisions.

Exhibit B Debt Payments

The City acknowledges that it owes ATA the sum of \$1, 233,032.00 in deferred revenue for payments made under or in connection with the ATA Midway Lease and use of the Midway Airport facilities in 2003 (the "2003 Overpayment"), which amount is due to ATA. This payment by the City to ATA shall be made, net of the Debt Payments called for below. This means ATA shall receive credit for having made the Debt Payments designated below from the 2003 Overpayment and shall receive a payment of the amount of the 2003, net of the amounts of the Debt Payment paid out of such refund.

2003 Overpayment	\$1,233,032.00
Less: Debt Payments	
Accident Claims	(\$35,406.74)
Fuel Excise Tax and Employer's Tax Claims	(\$520,751.01)
O'Hare Claims	(\$191,369.76)
Refund	\$ 485,504.54