

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION**

In re:)	Chapter 11
)	
)	Case No. 08-03675-BHL-11
ATA AIRLINES, INC.)	
)	
Debtor)	

**DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN
SUPPORT OF THE CHAPTER 11 PLAN OF THE DEBTOR**

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES BANKRUPTCY COURT, NOR HAS THE BANKRUPTCY COURT RULED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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Dated: December 12, 2008

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EXHIBITS TO THE DISCLOSURE STATEMENT

Exhibit 1.....Chapter 11 Plan
Exhibit 2..... Distribution Analysis
Exhibit 3.....Liquidation Analysis and Notes
Exhibit 4.....Pro Forma Closing Balance Sheets and Notes
Exhibit 5A..... Unsecured Creditor Trust – Estimated Cash Flow and Notes
Exhibit 5B.....Plan Trust – Estimated Cash Flow and Notes

ARTICLE I. INTRODUCTION

ATA Airlines, Inc. (“ATA” or the “Debtor”) submits this Disclosure Statement pursuant to 11 U.S.C. § 1125 in Support of the Chapter 11 Plan of the Debtor (the “Disclosure Statement”) for use in the solicitation of votes on the Chapter 11 Plan of the Debtor (the “Plan”). The Plan is annexed as **Exhibit 1** to this Disclosure Statement.¹

This Disclosure Statement sets forth certain relevant information regarding the Debtor’s prepetition operations and financial history, the need to seek chapter 11 protection, significant events that have occurred during the Bankruptcy Case, an analysis of the expected return to the Debtor’s Creditors and the issuance of New Membership Interest to the Buyer for the Debtor’s business. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which Distributions will be made under the Plan. Additionally, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims and Equity Interests must follow for their votes to be counted.

YOU ARE BEING SENT THIS DISCLOSURE STATEMENT BECAUSE YOU ARE A CREDITOR OR OTHER PARTY IN INTEREST OF ATA. THIS DOCUMENT DESCRIBES A CHAPTER 11 PLAN WHICH, WHEN CONFIRMED BY THE BANKRUPTCY COURT WILL GOVERN HOW YOUR CLAIM OR EQUITY INTEREST WILL BE TREATED. THE DEBTOR URGES YOU TO REVIEW THE DISCLOSURE STATEMENT CAREFULLY. ALL HOLDERS OF GENERAL UNSECURED CLAIMS ARE URGED TO REVIEW THE RECOMMENDATION SET OUT IN THE SOLICITATION LETTERS INCLUDED WITH THIS DISCLOSURE STATEMENT. THE DEBTOR AND THE COMMITTEE BELIEVE THAT ALL CREDITORS SHOULD VOTE IN FAVOR OF THE PLAN.

A. Support and Recommendation by the Committee.

On April 16, 2008 the United States Trustee appointed the Official Committee of Unsecured Creditors (the “Committee”). The Committee has been extensively involved with all aspects of the Bankruptcy Case, and specifically, the formulation of the Plan. The Committee supports the Plan in all respects and strongly recommends that each holder of a General Unsecured Claim vote in favor of the Plan. The Committee has provided a letter of recommendation in the solicitation materials included with this Disclosure Statement that explains its support of the Plan.

¹ Except as otherwise provided in this Disclosure Statement, capitalized terms herein have the meaning ascribed to them in the Plan. Any capitalized term used herein that is not defined in the Plan shall have the meaning ascribed to that term in the Bankruptcy Code or Bankruptcy Rules, whichever is applicable.

B. Summary of Plan and Estimated Distributions to Creditors

The Plan provides for the implementation of the Global Settlement among the Debtor, the Administrative Agent, the Committee, the Affiliates, the Unions, and Batman. The Global Settlement is a comprehensive resolution of all disputes and is the framework for resolving Claims of Creditors. The Global Settlement also provides the means for funding Distributions under the Plan. The Global Settlement is more fully described in Article VIII herein. Finally, the Plan provides for the reorganization of the Debtor pursuant to the issuance of New Membership Interest to the Buyer.

Under the Plan, Claims and Equity Interests are classified and each class has its own treatment. The table below describes each class of Claims and Equity Interests, which Claimholders and Interestholders belong in each class, the treatment of each class of Claims or Equity Interests, and the expected recovery of each Claimholder or Interestholder in the respective class.

Summary of Plan Treatment

<u>Class Description</u>	<u>Treatment</u>
Class 1.1 – Allowed Priority Employee Claims	<p>Under the Global Settlement, Allowed Priority Employee Claims will receive a certain percentage of (i) \$4 million called the Labor Settlement Fund, (ii) fifty percent (50%) of the Net Preference Recoveries and (iii) Seven and one half percent (7.5%) of the Net FedEx Recoveries.</p> <p>The Debtor estimates Class 1.1 Allowed Priority Employee Claims will be paid in full.</p>
Class 1.2 – Allowed Priority Unsecured Non-Tax Claims	<p>Allowed Priority Unsecured Non-Tax Claims shall be paid from the Priority Claim Fund.</p> <p>The Debtor estimates that Allowed Priority Unsecured Non-Tax Claims will be paid in full.</p>
Class 2 – Allowed Secured Tax Claims	<p>Allowed Secured Tax Claims shall receive either (i) Cash on the Effective Date paid from the Priority Claim Fund; (ii) conveyance of any collateral securing the Allowed Secured Tax Claim, or (iii) such other treatment that may be agreed to by the holder of such Claim and the Plan Trustee.</p> <p>The Debtor estimates that the Allowed Secured Tax Claims will be paid in full.</p>

<u>Class Description</u>	<u>Treatment</u>
Class 3.1 – Allowed Lender Secured Claims	<p>Allowed Lender Secured Claims shall be satisfied by Cash payment of all Lender Recoveries, with the initial Lender Distribution to be made within ten (10) days from the Effective Date and periodically thereafter as Plan Trust Assets that constitute the Lender Recoveries are liquidated into Cash. Lender Deficiency Claims are waived under the Plan and Global Settlement.</p> <p>The Debtor estimates that the recovery on the Lender Secured Claims will be approximately 13.9% based on a total Claim amount of approximately \$365 million. This recovery percentage does not include any Net FedEx Recoveries which are unknown at this time.</p>
Class 3.2 – Allowed Secured Letter of Credit Claims	<p>Allowed Secured Letter of Credit Claims shall be satisfied in full at the election of the Plan Trustee, which shall be made on or before the Effective Date, by either (i) Cash on the Effective Date; (ii) conveyance of the collateral securing the Allowed Secured Letter of Credit Claim, or (iii) such other treatment that may be agreed to by the holder of such Claim and the Plan Trustee.</p> <p>The Debtor estimates that Allowed Secured Letter of Credit Claims will be paid in full because such claims are over-collateralized.</p>
Class 3.3 – Allowed Other Secured Claims	<p>Allowed Other Secured Claims shall be satisfied in full at the election of the Plan Trustee by: (a) Cash on the Effective Date; (b) conveyance of the collateral securing the Other Secured Claim; or (c) such other treatment that may be agreed to by the holder of such Claim and the Plan Trustee.</p> <p>The recovery on Allowed Other Secured Claims will depend on the value of the collateral securing such Claims.</p>
Class 4- Allowed General Unsecured Claims	<p>Each holder of an Allowed General Unsecured Claim will receive a Pro Rata Share of the Unsecured Creditor Distribution.</p> <p>The Debtor estimates that the recovery on Allowed General Unsecured Claims will be 1.3%. This recovery percentage does not include any Net FedEx Recoveries which are unknown at this time.</p>
Class 5 – Allowed Subordinated Claims	On the Effective Date, all Allowed Subordinated Claims shall not be entitled to any Distribution under the Plan.
Class 6 – Allowed Equity Interests	On the Effective Date, all existing Equity Interests shall be canceled and shall not be entitled to any Distribution under the Plan.

The foregoing analysis makes certain assumptions, including, without limitation, the amount of General Unsecured Claims ultimately Allowed, the final disposition of the FedEx Litigation (as discussed in Article VI.B herein), recoveries resulting from the Preference Actions (as more fully discussed in Article VI.C herein), and a number of other variables more fully discussed in Article XIII.B herein. The Debtor has prepared a Distribution Analysis which estimates recoveries to certain Creditors. The Distribution Analysis is discussed in Article IX.B herein.

C. Filing of the Debtor's Bankruptcy Case

On April 2, 2008 (defined as the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division (defined as the "Bankruptcy Court"). Shortly after the Petition Date, the Debtor ceased all flight operations and terminated its business and has undertaken a wind-down of its business operations. Pursuant to the wind-down efforts, the Debtor has continued to manage its properties and assets as a debtor-in-possession in accordance with Bankruptcy Code sections 1107 and 1108.

D. Purpose of Disclosure Statement

Section 1125 of the Bankruptcy Code requires the Debtor to prepare and obtain court approval of a Disclosure Statement as a prerequisite to soliciting votes on the Debtor's Plan. The purpose of the Disclosure Statement is to provide information to Creditors and Interestholders that will assist them in deciding how to vote on the Plan.

Approval of this Disclosure Statement does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereunder. The Bankruptcy Court's approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement contains adequate information to permit you to make an informed judgment regarding acceptance or rejection of the Plan.

E. Hearing on Confirmation of the Plan

The Bankruptcy Court has set **[Date and Time]** prevailing Eastern Time, as the time and date for the hearing (defined as the "Confirmation Hearing") to determine whether the Plan has been accepted by the requisite number of Claimholders and Interestholders and whether the other standards for confirmation of the Plan have been satisfied. Once commenced, the Confirmation Hearing may be adjourned or continued by announcement in open court with no further notice.

F. Disclaimers

THIS DISCLOSURE STATEMENT IS PROVIDED FOR USE SOLELY BY HOLDERS OF CLAIMS AND EQUITY INTERESTS AND THEIR ADVISERS IN CONNECTION WITH THEIR DETERMINATION TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR ON YOUR DECISION REGARDING ACCEPTING THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS THE REPRESENTATION OF THE DEBTOR ONLY AND NOT OF ITS ATTORNEYS, ACCOUNTANTS OR OTHER PROFESSIONALS, OR OF THE MEMBERS OF THE COMMITTEE, ITS ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS. FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO AN AUDIT BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT. THE DEBTOR IS NOT ABLE TO CONFIRM THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT INCLUDE ANY INACCURACIES. HOWEVER, THE DEBTOR HAS MADE ITS BEST EFFORT TO PROVIDE ACCURATE INFORMATION AND IS NOT AWARE OF ANY INACCURACY IN THIS DISCLOSURE STATEMENT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN INDEPENDENTLY INVESTIGATED BY THE BANKRUPTCY COURT, AND APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THE ONLY REPRESENTATIONS THAT ARE AUTHORIZED BY THE DEBTOR CONCERNING THE DEBTOR, THE VALUE OF ITS ASSETS, THE EXTENT OF ITS LIABILITIES, OR ANY OTHER FACTS MATERIAL TO THE PLAN ARE THE REPRESENTATIONS MADE IN THIS DISCLOSURE STATEMENT. REPRESENTATIONS CONCERNING THE PLAN OR THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT ARE NOT AUTHORIZED BY THE DEBTOR.

HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE AND ALL SUCH HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD CONSULT WITH THEIR OWN ADVISERS.

THE DEBTOR HAS NO ARRANGEMENT OR UNDERSTANDING WITH ANY BROKER, SALESMAN, OR OTHER PERSON TO SOLICIT VOTES FOR THE PLAN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE PLAN OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME AFTER THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN OR IN THE AFFAIRS OF THE DEBTOR SINCE THE DATE HEREOF. ANY ESTIMATES OF CLAIMS AND EQUITY INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE FINAL AMOUNTS OF CLAIMS OR EQUITY INTERESTS ALLOWED BY THE BANKRUPTCY

COURT. SIMILARLY, THE ANALYSIS OF ASSETS AND THE AMOUNT ULTIMATELY REALIZED FROM THEM MAY DIFFER MATERIALLY.

THE DESCRIPTION OF THE PLAN CONTAINED HEREIN IS INTENDED TO BRIEFLY SUMMARIZE THE MATERIAL PROVISIONS OF THE PLAN AND IS SUBJECT TO AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PROVISIONS OF THE PLAN.

ARTICLE II. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor-in-possession may seek to reorganize its business or to sell the business for the benefit of the debtor's creditors and other interested parties.

The commencement of a chapter 11 case creates an estate comprising all of the debtor's legal and equitable interests in property as of the date the petition is filed. Unless the bankruptcy court orders the appointment of a trustee, a chapter 11 debtor may continue to manage and control the assets of its estate as a "debtor-in-possession," as the Debtor has done in the Bankruptcy Case since the Petition Date.

Formulation of a chapter 11 plan is the principal purpose of a chapter 11 case. Such plan sets forth the means for satisfying the claims of creditors against, and interests of equity security holders in, the debtor.

B. Chapter 11 Plan

After a plan has been filed, the holders of claims against, or equity interests in, a debtor are permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a claim against, or equity interest in, a debtor vote in favor of a plan in order for the plan to be confirmed. At a minimum, however, a plan must be accepted by a majority in number and two-thirds in dollar amount of those claims actually voting from at least one class of claims impaired under the plan. The Bankruptcy Code also defines acceptance of a plan by a class of equity interests as acceptance by holders of two-thirds of the number of shares actually voted.

Classes of claims or equity interests that are not "impaired" under a chapter 11 plan are conclusively presumed to have accepted the plan, and therefore are not entitled to vote. A class is "impaired" if the plan modifies the legal, equitable, or contractual rights attaching to the claims or equity interests of that class. Modification for purposes of impairment does not include curing defaults and reinstating maturity or payment in full in cash. Conversely, classes of claims or equity interests that receive or retain no property under a plan of reorganization are conclusively presumed to have rejected the plan, and therefore are not entitled to vote.

Even if all classes of claims and equity interests accept a chapter 11 plan, the Bankruptcy Court may nonetheless deny confirmation. Bankruptcy Code section 1129 sets forth the

requirements for confirmation and, among other things, requires that a plan be in the “best interest” of impaired and dissenting creditors and interestholders and that the plan be feasible. The “best interest” test generally requires that the value of the consideration to be distributed to impaired and dissenting creditors and interestholders under a plan may not be less than those parties would receive if the debtor were liquidated under a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. A plan must also be determined to be “feasible,” which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan and that the debtor will be able to continue operations without the need for further financial reorganization or liquidation.

The Bankruptcy Court may confirm a chapter 11 plan even though fewer than all of the classes of impaired claims and equity interests accept it. The Bankruptcy Court may do so under the “cramdown” provisions of Bankruptcy Code section 1129(b). In order for a plan to be confirmed under the cramdown provisions, despite the rejection of a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan does not discriminate unfairly and that it is fair and equitable with respect to each impaired class of claims or equity interests that has not accepted the plan.

The Bankruptcy Court must further find that the economic terms of the particular plan meet the specific requirements of Bankruptcy Code section 1129(b) with respect to the subject objecting class. If the proponent of the plan proposes to seek confirmation of the plan under the provisions of Bankruptcy Code section 1129(b), the proponent must also meet all applicable requirements of Bankruptcy Code section 1129(a) (except section 1129(a)(8)). Those requirements include the requirements that (i) the plan comply with applicable Bankruptcy Code provisions and other applicable law, (ii) that the plan be proposed in good faith, and (iii) that at least one impaired class of creditors or interestholders has voted to accept the plan.

ARTICLE III. VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS

A. Ballots and Voting Deadline

A Ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement, and has been mailed to Claimholders and Interestholders (or their authorized representatives) entitled to vote. After carefully reviewing the Disclosure Statement, including all exhibits, each Claimholder or Interestholder (or its authorized representative) entitled to vote should indicate its vote on the enclosed Ballot. All Claimholders and Interestholders (or their authorized representatives) entitled to vote must (i) carefully review the Ballot and instructions thereon, (ii) execute the Ballot, and (iii) return it to the address indicated on the Ballot by the deadline (defined as the “Voting Deadline”) for the Ballot to be considered.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, Ballots for the acceptance or rejection of the Plan must be received no later than **[Date]** at **[Time]** prevailing Eastern Time, at the following address:

HAYNES AND BOONE, LLP
Attn: Jermaine K. Johnson
1 Houston Center
1221 McKinney, Suite 2100
Houston, Texas 77010

BALLOTS MUST BE RECEIVED AT THE ABOVE ADDRESS NO LATER THAN [DATE] at [TIME] PREVAILING EASTERN TIME. ANY BALLOTS RECEIVED AFTER THAT DEADLINE WILL NOT BE COUNTED.

B. Claimholders and Interestholders Entitled to Vote

Any Claimholder or Interestholder of the Debtor whose Claim or Equity Interest is impaired under the Plan is entitled to vote if either (i) the Claim or Equity Interest has been listed in the Schedules of Assets and Liabilities or the List of Equity Security Holders (and the Claim or Equity Interest is not scheduled as disputed, contingent, or unliquidated) or (ii) the Claimholder or Interestholder has filed a proof of claim or proof of interest on or before any deadline set by the Bankruptcy Court for such filings.

Any holder of a Claim or Equity Interest as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court (on motion by a party whose Claim or Equity Interest is subject to an objection) temporarily allows the Claim or Equity Interest in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Such motion must be heard and determined by the Bankruptcy Court on or before the first date set by the Bankruptcy Court for the Confirmation Hearing on the Plan.

In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code.

C. Bar Date for Filing Proofs of Claim

The Bankruptcy Court has established October 2, 2008 at 5:00 p.m. (prevailing Eastern Time) as the general deadline for filing proofs of claim in the Bankruptcy Case (defined as the "General Bar Date"), and also as the deadline for filing a proof of claim by any governmental unit (as defined by section 101(27) of the Bankruptcy Code), with two (2) exceptions: (i) in the event that the Debtor amends its Schedules of Assets and Liabilities, the Debtor must give notice of such amendment to the Claimholder affected thereby, and the affected Claimholder shall have the later of the General Bar Date or thirty (30) days from the date on which notice of such amendment was given to file a proof of claim; and (ii) except as otherwise set forth in any order authorizing the rejection of an Executory Contract, in the event that a Claim arises with respect to the Debtor's rejection of an Executory Contract, the Claimholder shall have the later of the General Bar Date or thirty (30) days after the date any order is entered authorizing the rejection of such Executory Contract. These deadlines along with procedures for filing proofs of claim are described in the Order Granting Motion to Establish a Bar Date for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof, which was approved by the Bankruptcy Court

on August 7, 2008 (the “Bar Date Order”). A copy of the Bar Date Order may be obtained from the Claims Agent’s website at www.bmcgroup.com/ataairlines or by contacting the Debtor’s Notice and Claims Agent:

BMC Group, Inc.
P.O. Box 921
El Segundo, CA 90245-1035
Telephone: (888) 909-0100

D. Definition of Impairment

Under Bankruptcy Code section 1124, a class of claims or equity interests is impaired under a chapter 11 plan unless, with respect to each claim or equity interest of such class, the plan:

- (1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or
- (2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to receive accelerated payment of such claim or equity interest after the occurrence of a default:
 - (a) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in Bankruptcy Code section 365(b)(2) or of a kind that section 365(b)(2) expressly does not require to be cured;
 - (b) reinstates the maturity of such claim or equity interest as it existed before the default;
 - (c) compensates the holder of such claim or equity interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law;
 - (d) if such claim or such equity interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to Bankruptcy Code section 365(b)(1)(A), compensates the holder of such claim or such equity interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and
 - (e) does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

E. Classes Impaired Under the Plan

Claims or Equity Interests in all Classes (except Class 1.2) are impaired under the Plan. Therefore, holders of those Claims and Equity Interests are eligible, subject to the voting requirements described above, to vote to accept or reject the Plan.

Claims in Class 1.2 are not impaired under the Plan, and therefore holders of those Claims are conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code section 1126(f). Accordingly, the Debtor will not be soliciting votes from Claimholders in this Class.

F. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan; that is, acceptance by a class takes place only if creditors holding claims in that class constituting at least two-thirds in amount of the total amount of claims and more than one-half in number of the creditors actually voting cast their ballots in favor of acceptance.

The Bankruptcy Code defines acceptance of a plan by a class of equity interests as acceptance by holders of at least two-thirds in amount of the allowed equity interests of that class.

G. Information on Voting and Ballots

1. Transmission of Ballots to Claimholders and Interestholders

Ballots are being forwarded to all Claimholders and Interestholders in accordance with the Bankruptcy Rules. Those Claimholders and Interestholders whose Claims or Equity Interests are unimpaired under the Plan are conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f), and therefore need not vote with regard to the Plan. Under Bankruptcy Code section 1126(g), Claimholders or Interestholders who do not either receive or retain any property under the Plan are deemed to have rejected the Plan. In the event a Claimholder or Interestholder does not vote, the Bankruptcy Court may deem such Claimholder or Interestholder to have accepted the Plan.

2. Ballot Tabulation Procedures

For purposes of voting on the Plan, the amount and classification of a Claim or Equity Interest and the procedures that will be used to tabulate acceptances and rejections of the Plan shall be exclusively as follows:

- (a) If no proof of claim has been timely filed, (i) the voted amount of a Claim shall be equal to the amount listed for the particular Claim in the Schedules of Assets and Liabilities to the extent such Claim is not listed as contingent, unliquidated, or disputed, and (ii) the Claim shall be placed in

the appropriate Class, based on the Debtor's records and consistent with the Schedules of Assets and Liabilities;

- (b) If no proof of claim has been timely filed and to the extent such Claim is listed as contingent, unliquidated, or disputed based on the Debtor's records and consistent with the Schedules of Assets and Liabilities, then any Ballot filed by such a Claimholder will not be counted;
- (c) If a proof of claim has been timely filed, and has not been objected to before the expiration of the Voting Deadline, the voted amount of that Claim shall be as specified in the timely filed proof of claim;
- (d) If no proof of interest has been filed, the voted amount of an Equity Interest shall be equal to the amount listed for the particular Equity Interest in the List of Equity Security Holders, and the Equity Interest shall be placed in the appropriate Class based on the Debtor's records and consistent with the Schedule of Equity Interests;
- (e) If a proof of interest has been timely filed, and has not been objected to before the expiration of the Voting Deadline, the voted amount of that Equity Interest shall be as specified in the timely filed proof of interest;
- (f) Subject to subparagraph (g) below, a Claim or Equity Interest that is the subject of an objection filed before the Voting Deadline shall be disallowed for voting purposes, except to the extent and in the manner that the Debtor indicates in its objection that the Claim or Equity Interest should be allowed for voting or other purposes;
- (g) If a Claim or Equity Interest has been estimated or otherwise allowed for voting purposes by order of the Bankruptcy Court, the voted amount and classification shall be that set by the Bankruptcy Court;
- (h) If a Claimholder or Interestholder or its authorized representative did not use the Ballot provided by the Debtor, the Official Ballot Form authorized under the Federal Rules of Bankruptcy Procedure, or a substantially similar form of ballot, such Ballot will not be counted;
- (i) If the Ballot is not received by the Debtor on or before the Voting Deadline at the place fixed by the Bankruptcy Court, the Ballot will not be counted;
- (j) If the Ballot is not signed by the Claimholder or Interestholder or its authorized representative, the Ballot will not be counted;
- (k) If the individual or institution casting the Ballot (whether directly or as a representative) was not the holder of a Claim or Equity Interest on the Disclosure Statement Approval Date, the Ballot will not be counted;

- (l) If the Claimholder or Interestholder or its authorized representative did not check one of the boxes indicating acceptance or rejection of the Plan, or checked both such boxes, the Ballot will not be counted;
- (m) Whenever a Claimholder or Interestholder (or its authorized representative) submits more than one Ballot voting the same Claim(s) or Equity Interest(s) before the applicable deadline for submission of Ballots, except as otherwise directed by the Bankruptcy Court after notice and a hearing, the last such Ballot shall be deemed to reflect the voter's intent and shall supersede any prior Ballots;
- (n) If a representative of Claimholders or Interestholders is authorized to file a proof of claim or proof of interest on behalf of the Person it represents, pursuant to an order of the Bankruptcy Court, or otherwise, such representative may submit one Ballot voting all Claims or Equity Interests so long as such Ballot complies with all other tabulation procedures above.

3. Execution of Ballots by Representatives

Other than Ballots submitted by the Unions and Batman, if a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, such Persons must indicate their capacity when signing and, at the Debtor's request, must submit proper evidence satisfactory to the Debtor of their authority to so act. A Ballot filed by a representative of any of the Unions or Batman shall be deemed valid and enforceable. For purposes of voting tabulation, a Ballot filed by a representative of a Union or Batman shall account for the total number of represented parties with respect to the numerosity requirement set forth in this Article.

4. Waivers of Defects and Other Irregularities Regarding Ballots

Unless otherwise directed by the Bankruptcy Court, all questions concerning the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Debtor in its sole discretion, whose determination will be final and binding. The Debtor reserves the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtor or its counsel, be unlawful. The Debtor further reserves the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtor (or the Bankruptcy Court) determines. Neither the Debtor nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor will any of them incur any liability for failure to provide such notification; provided, however, that the Debtor will indicate on the Ballot summary the Ballots, if any, that were not counted, and will provide the original of such Ballots with the original of the ballot summary to be submitted at the Confirmation Hearing. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until any irregularities have been cured or waived. Unless otherwise directed by the Bankruptcy Court, Ballots previously furnished, and as to which any irregularities have not subsequently been cured or waived, will be invalidated.

5. Withdrawal of Ballots and Revocation

Any holder of a Claim or Equity Interest (or its authorized representative) in an impaired Class who has delivered a valid Ballot for the acceptance of the Plan may withdraw such acceptance by delivering a written notice of withdrawal to counsel for the Debtor at any time before the Voting Deadline. Any holder of a Claim or Equity Interest (or its authorized representative) in an impaired Class who has delivered a valid Ballot for the rejection of the Plan may withdraw such rejection by delivering a written notice of withdrawal to counsel for the Debtor at any time before the Confirmation Hearing.

To be valid, a notice of withdrawal must:

- contain the description of the Claims or Equity Interests to which it relates and the aggregate principal amount or number of shares represented by such Claims or Equity Interests;
- be signed by the Claimholder or Interestholder (or its authorized representative) in the same manner as the Ballot; and
- be received by counsel for the Debtor in a timely manner at the address set forth in this Disclosure Statement for the submission of Ballots.

The Debtor expressly reserves the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots that is not received in a timely manner by the Debtor will not be effective to withdraw a previously furnished Ballot.

Any Claimholder or Interestholder (or its authorized representative) who has previously submitted a properly completed Ballot before the Voting Deadline may revoke such Ballot and change its vote by submitting before the Voting Deadline a subsequent, properly completed Ballot for acceptance or rejection of the Plan.

H. Confirmation of Plan

1. Solicitation of Acceptances

The Debtor is soliciting your vote.

NO REPRESENTATIONS OR ASSURANCES, IF ANY, CONCERNING THE DEBTOR OR THE PLAN ARE AUTHORIZED BY THE DEBTOR, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED ON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH

ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO DEBTOR'S COUNSEL FOR APPROPRIATE ACTION.

THIS IS A SOLICITATION SOLELY BY THE DEBTOR, AND IS NOT A SOLICITATION BY ANY SHAREHOLDER, ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL FOR THE DEBTOR. THE REPRESENTATIONS, IF ANY, MADE IN THIS DISCLOSURE STATEMENT ARE THOSE OF THE DEBTOR AND NOT OF SUCH SHAREHOLDERS, ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS, EXCEPT AS MAY BE OTHERWISE SPECIFICALLY AND EXPRESSLY INDICATED.

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by Bankruptcy Code section 1125(b). Violation of Bankruptcy Code section 1125(b) may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of Bankruptcy Code section 1129 have been satisfied, in which event the Bankruptcy Court shall enter an Order confirming the Plan. For the Plan to be confirmed, Bankruptcy Code section 1129 requires that:

- (a) The Plan complies with the applicable provisions of the Bankruptcy Code;
- (b) The Debtor has complied with the applicable provisions of the Bankruptcy Code;
- (c) The Plan has been proposed in good faith and not by any means forbidden by law;
- (d) Any payment or distribution made or promised by the Debtor or by a Person issuing securities or acquiring property under the Plan for services or for costs and expense in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
- (e) The Debtor has disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and Interestholders and with public policy; and the Debtor has disclosed the identity of any insider that will be employed or retained by the Reorganized Debtor and the nature of any compensation for such insider;

- (f) Any government regulatory commission with jurisdiction (after confirmation of the Plan) over the rates of the Debtor has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval;
- (g) With respect to each impaired Class of Claims or Equity Interests, either each holder of a Claim or Equity Interest of the Class has accepted the Plan, or will receive or retain under the Plan on account of that Claim or Equity Interest, property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated on such date under chapter 7 of the Bankruptcy Code. If Bankruptcy Code section 1111(b)(2) applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the Debtor's interest in the property that secures that claim;
- (h) Each Class of Claims or Equity Interests has either accepted the Plan or is not impaired under the Plan;
- (i) Except to the extent that the holder of a particular Administrative Claim has agreed to a different treatment of its Claim, the Plan provides that Administrative Claims shall be paid in full on the Effective Date;
- (j) With respect to holders of Priority Unsecured Non-Tax Claims, the Plan provides that if such Class has accepted the Plan, Priority Unsecured Non-Tax Claims shall receive deferred cash payments of a value, as of the Effective Date, equal to the amount of such claim, or, if such Class has not accepted the Plan, the Plan provides for cash on the Effective Date equal to the allowed amount of such Claims;
- (k) With respect to Priority Unsecured Tax Claims, the Plan provides that the holder of such Claim will receive on account of such claim regular installment payments in cash (i) of a total value, as of the Effective Date, equal to the allowed amount of such Claim, (ii) over no more than a 5 year period after the Confirmation Order, and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan;
- (l) With respect to a Secured Claim that would otherwise be a Priority Unsecured Tax Claim, but for the secured status of the claim, the holder of that Claim will receive on account of such Claim, cash payments, in the same manner and over the same period as Priority Unsecured Tax Claims;
- (m) If a Class of Claims or Equity Interests is impaired under the Plan, at least one such Class of Claims or Equity Interests has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim or Equity Interest of that Class; and

- (n) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.
- (o) All court fees, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date;
- (p) The Plan provides for the continuation after the Effective Date of payment of all retiree benefits, as that term is defined in Bankruptcy Code section 1114, at the level established by section 1114(e)(1)(B) or section 1114(g), at any time prior to Confirmation, for the duration of the period the Debtor has obligated itself to provide such benefits; and
- (q) The Plan provides that all transfers of property shall be made in accordance with applicable provisions of nonbankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

The Debtor believes that the Plan satisfies all of the statutory requirements of the Bankruptcy Code for confirmation and that the Plan was proposed in good faith. The Debtor believes it has complied, or will have complied, with all the requirements of the Bankruptcy Code governing confirmation of the Plan.

3. Acceptances Necessary to Confirm the Plan

Voting on the Plan by each holder of a Claim or Equity Interest (or its authorized representative) is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim or Equity Interest vote in favor of the Plan in order for the Bankruptcy Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of Bankruptcy Code section 1126(a), the Plan must be accepted by each Class of Claims or Equity Interests that is impaired under the Plan by parties holding at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class actually voting in connection with the Plan. With regard to a Class of Equity Interests, more than two-thirds of the shares actually voted must accept to bind that Class. Even if all Classes of Claims and Equity Interests accept the Plan, the Bankruptcy Court may refuse to confirm the Plan.

4. Cramdown

In the event that any impaired Class of Claims or Equity Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtor if, as to each impaired Class that has not accepted the Plan, the Plan “does not discriminate unfairly” and is “fair and equitable.” A chapter 11 plan does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests. “Fair and equitable” has different meanings for holders of secured and unsecured claims and equity interests.

With respect to a secured claim, “fair and equitable” means either (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claims with a present value as of the effective date of the plan at least equal to the value of such creditor’s interest in the property securing its liens; (ii) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (i) and (iii) hereof; or (iii) the impaired secured creditor realizes the “indubitable equivalent” of its claim under the plan.

With respect to an unsecured claim, “fair and equitable” means either (i) each impaired creditor receives or retains property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the plan.

With respect to equity interests, “fair and equitable” means either (i) each impaired equity interest receives or retains, on account of that equity interest, property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the equity interest, or (ii) the holder of any equity interest that is junior to the equity interest of that class will not receive or retain under the plan, on account of that junior equity interest, any property.

The Debtor believes that the Plan does not discriminate unfairly and is fair and equitable with respect to each impaired Class of Claims and Equity Interests. In the event at least one Class of impaired Claims or Equity Interests rejects or is deemed to have rejected the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired Class of Claims or Equity Interests.

ARTICLE IV. BACKGROUND OF THE DEBTOR

A. Description of Debtor’s Business

Prior to filing the Bankruptcy Case, the Debtor operated a diversified international passenger airline that operated in two principal business segments: (a) a low cost carrier operation that provided scheduled passenger service that leveraged a code share agreement with Southwest Airlines, Inc. (“Southwest”) and (b) a charter operation focusing primarily on providing charter service to the United States government/military.

ATA operated scheduled passenger flights throughout the United States mainland and Hawaii, as well as military and commercial charter flights around the world. ATA maintained focus cities at Chicago Midway International Airport (“Midway”), Honolulu International Airport, and Oakland International Airport.

ATA was North America’s largest charter airline, and until its shutdown was a major provider of U.S. troop transport to the United States Military. ATA also provided customers of its charter service with cargo capacity. As discussed in more detail in Article VI.B herein, the

majority of ATA's charter business was derived from a contract with Federal Express Corporation ("FedEx").

B. The First Bankruptcy Case

On October 26, 2004, ATA Holdings Corp. (defined as "ATA Holdings") and its subsidiaries, including ATA, filed for chapter 11 bankruptcy protection (the "First Bankruptcy Case"). The common stock of ATA Holdings was publicly traded on the NASDAQ stock exchange under the symbol "ATAH." The common stock was delisted by the Securities and Exchange Commission and subsequently canceled during the First Bankruptcy Case pursuant to the First Amended Joint Chapter 11 Plan for Reorganizing Debtors, which was confirmed by the Bankruptcy Court on January 31, 2006.

In the late summer of 2005, ATA Holdings sought to raise capital in connection with its efforts to emerge from the First Bankruptcy Case. MatlinPatterson ultimately sponsored ATA Holdings' emergence from the First Bankruptcy Case based upon a business plan that focused on the strength of the private and military charter business. MatlinPatterson committed up to \$120 million to sponsor ATA Holding's emergence. As part of this commitment, in December, 2005, MatlinPatterson provided \$30 million in debtor-in-possession financing ("DIP Financing").

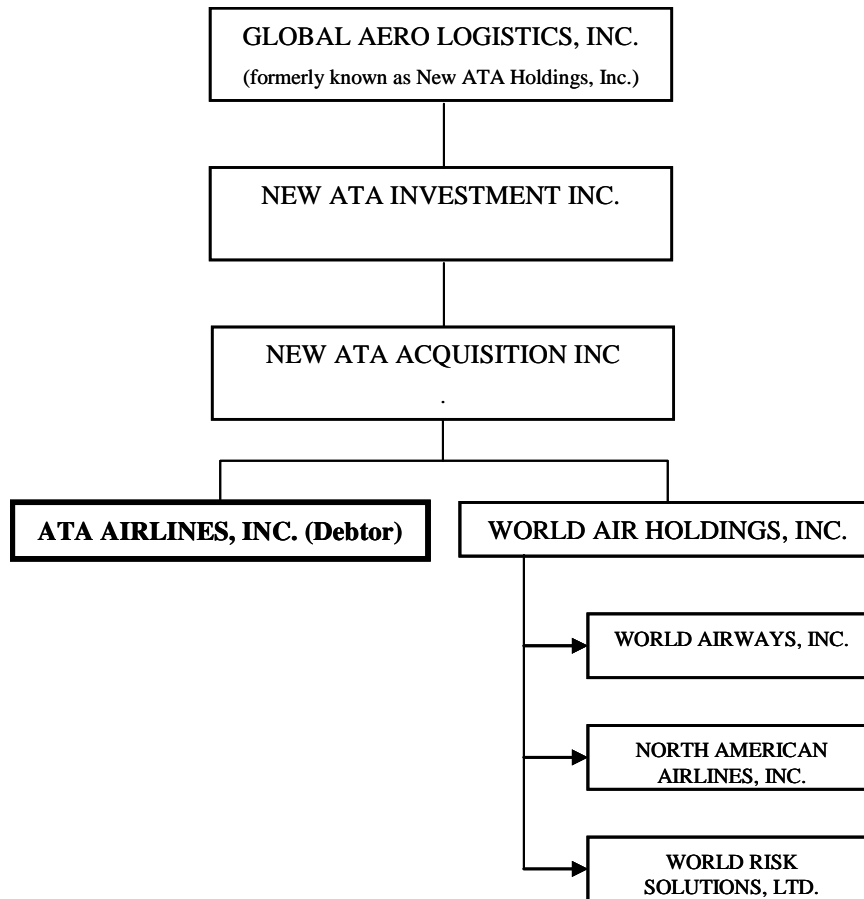
Thereafter, on February 28, 2006, ATA emerged from the First Bankruptcy Case with a new parent company called New ATA Holdings, Inc. When ATA emerged from the First Bankruptcy Case, the DIP Financing was converted to equity in New ATA Holdings, Inc. (and subsequently Global Aero Logistics, Inc. ("GAL")). MatlinPatterson also made a \$24 million loan to ATA (the "Matlin Term Loan") and made an additional equity capital contribution in the amount of \$45 million to New ATA Holdings, Inc.

Thus, by the end of February 2006, MatlinPatterson had made the Matlin Term Loan and a total equity investment of \$75 million in New ATA Holdings, Inc (and subsequently GAL). As a result, MatlinPatterson became a 70% shareholder of New ATA Holdings, Inc.

C. Corporate Information and Debtor's Relationship to Subsidiaries and Affiliates

1. Corporate Structure

ATA is an Indiana corporation and is a wholly owned subsidiary of New ATA Acquisition, Inc. ("ATA Acquisition"). ATA Acquisition is a wholly owned subsidiary of New ATA Investment, Inc. ("ATA Investment"), and ATA Investment is a wholly owned subsidiary of GAL. ATA Acquisition also owns another holding company subsidiary, World Air Holdings, Inc. ("World Air"), which it acquired through a merger transaction completed in August 2007. World Air owns and operates two other airlines – World Airways, Inc. ("World Airways") and North American Airlines, Inc ("North American Airlines"). None of the entities in the GAL corporate family (other than the Debtor) has sought bankruptcy protection contemporaneously with the filing of the Bankruptcy Case. An organizational chart depicting the Debtor's corporate structure is below:



The Debtor's parent company, New ATA Holdings, Inc. (the successor to ATA Holdings), changed its name to GAL on April 5, 2007, and purchased World Air for \$315 million in an all cash transaction with the financial backing of MatlinPatterson.

2. Current Officers and Directors of Debtor

The current management of the Debtor is composed of experienced professionals with substantial familiarity with the airline industry. The Debtor's current directors, and the capacities in which they serve as officers, are as follows:

Doug Yakola	Director and Sr. Vice President Chief Operating Officer
Brian Hunt	Director and Sr. Vice President – Administration General Counsel and Secretary
Steven S. Turoff	Director and Chief Restructuring Officer

D. Events Leading to the Second Bankruptcy Case

The Debtor emerged from the First Bankruptcy Case as a smaller and more efficient airline. As with many in the industry, it continued to experience problems as a result of fuel costs and competition. Most significantly, on January 22, 2008, FedEx abruptly and unexpectedly notified the Debtor that despite the terms of the FedEx Letter Agreement,² FedEx would no longer permit the Debtor to be a member of the FedEx team for flying AMC (as defined below) military charters for government fiscal year 2009. The unexpected termination of the Debtor from participating on the FedEx team resulted in the loss of substantially all of the Debtor's AMC (as defined below) charter business.

To address liquidity concerns relating to the Debtor's scheduled service business, the Debtor explored strategic opportunities including network restructuring, eliminating certain routes, international expansion, business combinations, shutting down entirely, and partial or complete divestiture. In order to maintain operations, it was necessary for the Debtor to borrow money from one of its affiliated airlines, World Airways.

In November 2007 and January 2008, as part of its efforts to streamline its business and survive as an ongoing business, the Debtor discontinued service on certain routes (Chicago to N.Y., Chicago to Washington, D.C. and Chicago to Honolulu). The Debtor announced additional route discontinuations for the spring of 2008.

Specifically, on March 6, 2008, the Debtor announced that it would discontinue service at Midway effective April 14, 2008 for domestic routes, and effective June 7, 2008, for international routes as a result of extreme financial pressure on the Debtor's scheduled service business. The aircraft previously used to service these routes were redeployed to the Debtor's commercial charter segment and AMC (as defined below) military charter, which was then terminated by FedEx.

The Debtor had been making progress in working through its operational issues and was in the process of identifying additional sources of capital and potential business partners. However, the January 2008 cancellation by FedEx of the FedEx Letter Agreement was an abrupt and unanticipated below which crippled the future viability of the Debtor in the capital markets. The Debtor's operating revenues were significantly and negatively impacted by FedEx's unexpected termination of the Debtor's participation in the FedEx team.

As a result of FedEx's actions, the Debtor was compelled to seek bankruptcy protection and subsequently ceased operations.

² In September 2006, the Debtor entered into a letter agreement with FedEx under which the Debtor was to receive fifty percent (50%) of the FedEx team's share of the passenger airlift military business for government fiscal years ending September 30, 2007, 2008 and 2009 (the "FedEx Letter Agreement").

**ARTICLE V.
DEBTOR'S ASSETS AND LIABILITIES**

A. Prepetition Financing Arrangements

On August 14, 2007, ATA Acquisition, as borrower (the "Borrower"), entered into the Term Loan Agreement, with the Lenders and the Administrative Agent, pursuant to which the Lenders made loans and other financial accommodations to or for the benefit of the Borrower, the Debtor, and the Borrower's other subsidiaries. The Term Loan Agreement provides for a \$340 million loan to ATA Acquisition which is guaranteed by a number of its affiliates, including the Debtor. Under the Term Loan Agreement, initial amounts were funded to ATA Acquisition (the "Initial Loan") with an initial maturity date of August 14, 2008, unless converted into a term loan. The Initial Loan was not repaid or exchanged for exchange notes by August 14, 2008, and therefore, the Initial Loans were converted into a term loan (the "Term Loan"). The Term Loan matures on August 14, 2015. The proceeds of the loans were used in connection with the acquisition of World Air to repay existing indebtedness and to pay certain transaction costs, fees, and expenses related to the transactions contemplated by the Term Loan Agreement.

The Initial Loan and the Term Loan under the Term Loan Agreement bear interest at variable rates based upon certain formulas that are described in detail in the Term Loan Agreement.

The Term Loan Agreement contains customary affirmative and negative covenants, including restrictions on indebtedness, certain payments, distributions from subsidiaries, sales of assets and subsidiary stock, and liens.

The Term Loan Agreement also contains customary events of default, including those resulting from nonpayment of principal, interest, or other amounts or failure to redeem, prepay, or purchase loans when required.

Pursuant to the terms of the Term Loan Agreement, each of ATA Acquisition, GAL, New ATA Investment, the Debtor and each subsidiary guarantor identified therein, as grantors, executed a Guarantee and Collateral Agreement (the "Guarantee and Collateral Agreement") in favor of the Administrative Agent, for the benefit of the Administrative Agent and the Lenders. The Guarantee and Collateral Agreement creates a security interest in substantially all of the personal property of the grantors,³ commercial tort claims arising after the date of such Guarantee and Collateral Agreement, fixtures, as-extracted collateral, timber to be cut, and registered copyrights, if any, as security for the payment of the obligations and indebtedness of the Debtor under the Term Loan Agreement.

In addition to the Guarantee and Collateral Agreement, a Mortgage and Security Agreement dated August 14, 2007, was executed among World Airways and the Administrative Agent and a Mortgage and Security Agreement dated August 14, 2007, was executed among

³ Under the terms of the Guarantee and Collateral Agreement, the personal property does not include certain excluded property.

ATA and the Administrative Agent (the “ATA Mortgage and Security Agreement”). The ATA Mortgage and Security Agreement creates a lien on two L-1011 aircraft (bearing FAA Registration Nos. N164AT and N161AT) and related engines of the Debtor as described in such mortgage, and the proceeds thereof.

B. Schedules of Assets and Liabilities

Pursuant to Bankruptcy Code section 541 and Bankruptcy Rule 1007, a debtor seeking relief under the Bankruptcy Code must file schedules of assets and liabilities and statement of financial affairs. Accordingly, on May 28, 2008, the Debtor filed the Schedules of Assets and Liabilities, reflecting its assets and liabilities as of the Petition Date.

1. Assets

As of the Petition Date, the Debtor owned no real property. The Debtor scheduled personal property assets in the approximate amount of \$250 million plus certain unknown amounts. The personal property includes, without limitation (i) accounts receivable in the approximate amount of \$113 million; (ii) cash and certain financial accounts in the approximate amount of \$39 million; (iii) inventory in the approximate amount of \$29 million; (iv) 13 aircraft, engines, and related accessories in the approximate amount of \$27 million; (v) certain security deposits in the approximate amount of \$11 million; (vi) certain machinery, fixtures, equipment and supplies in the approximate amount of \$8 million; (vii) certain other contingent and unliquidated claims in the approximate amount of \$4 million plus certain unknown amounts; and (viii) other property in the approximate amount of \$19 million. The unknown amounts include, without limitation (i) contingent and unliquidated Claims, including tax refunds, counterclaims of the Debtor, and rights to setoff claims; (ii) interests in insurance policies; and (iii) potential litigation-related recoveries.

2. Liabilities

The Debtor also scheduled certain liabilities consisting of (i) Secured Claims in the approximate amount of \$373 million plus certain unknown amounts; (ii) Unsecured Priority Tax Claims in the approximate amount of \$3 million plus certain unknown amounts; and (iii) General Unsecured Claims in the approximate amount of \$329 million plus certain unknown amounts.

(a) Secured Claims

The vast majority of the total scheduled Secured Claims represents the approximate \$365 million liability arising from the Term Loan Agreement and Guarantee and Collateral Agreement. The remaining Secured Claims include, without limitation (i) approximately \$1.78 million of Claims secured by letters of credit; (ii) approximately \$4.4 million of Claims secured by certain deposits; and (iii) approximately \$1.5 million of Claims secured by notes other than the Term Loan Agreement.

(b) Unsecured Priority Tax Claims

The scheduled tax-related claims include approximately (i) \$2.4 million in personal property taxes; (ii) \$330,000 in real property taxes; (iii) \$119,000 in use taxes; (iv) an unknown amount in state income taxes; and (v) less than \$15,000 in sales taxes.

(c) General Unsecured Claims

The scheduled General Unsecured Claims represent an approximate aggregate amount of \$329 million plus certain unknown amounts and are generally divided into five categories: (i) Claims based upon goods provided or services performed for the benefit of Debtor; (ii) Claims stemming from employees or former employees of Debtor; (iii) Claims based upon the contractual rights of a Creditor; (iv) Claims based upon prepetition ongoing or potential litigation; and (v) Claims based upon ongoing or potential worker's compensation Claims. Claims based upon prepetition or ongoing litigation or worker's compensation Claims are contingent, unliquidated, and disputed.

C. Summary of Proofs of Claim

The General Bar Date for filing proofs of claim in the Bankruptcy Cases was October 2, 2008. A summary of the claims filed against the Debtor on or before the General Bar Date is set forth below:

Type of Claim	Number of Claims	Approximate Amount
Administrative	63	\$5 million
Priority Unsecured	1,269	\$23 million
Secured	280	\$402 million
Unsecured	3,011	\$585 million

The Debtor, in consultation with its advisors, has done a preliminary review and reconciliation of the filed proofs of claim. For a more complete discussion of this reconciliation, see Article IX.A herein.

**ARTICLE VI.
LEGAL PROCEEDINGS**

A. The WARN Adversaries

After filing the Bankruptcy Case, the Debtor ceased all of its operations and terminated the employment of substantially all of its employees. Subsequently, several adversary complaints were filed against the Debtor alleging violations of the Worker Adjustment and Refraining Notification Act, 29 U.S.C. § 2101 et seq. (defined as the "WARN Act").⁴

⁴ Under the WARN Act, and subject to certain statutory defenses, affected employees (employees not receiving the required WARN notice) are entitled to 60 days of back pay and benefits (actually calculated as the amount of wages

On April 8, 2008, Kevin Batman filed an adversary complaint against the Debtor - a class action representing all non-unionized employees - seeking recovery of damages equal in amount to 60 days' pay and other benefits by reason of the Debtor's alleged violation of the WARN Act (the "Batman WARN Adversary").⁵ Subsequently, each of the Unions (other than AMFA) filed a separate adversary complaint against the Debtor alleging similar WARN Act violations (together with the Batman WARN Adversary, defined as the "WARN Adversaries"). According to the WARN Adversaries, employees of the Debtor were terminated as a result of mass layoffs and plant closings without at least 60 days' advanced notice of termination as required by the WARN Act. The Debtor vigorously disputes the allegations in the WARN Adversaries and has asserted numerous defenses that liability under the WARN Act does not exist.

On June 13, 2008, the Bankruptcy Court entered an order setting a settlement conference for July 29, 2008. During the week preceding the settlement conference, the Debtor engaged in separate meetings with the WARN Act Plaintiffs to present a proposal to settle all claims asserted against the Debtor in the WARN Adversaries as well as other Employee Claims arising under various collective bargaining agreements or pursuant to the employee relationship. The meetings between the Debtor and the WARN Act Plaintiffs were undertaken pursuant to section 1113 of the Bankruptcy Code.

These discussions ultimately resulted in a settlement in principle being reached between the Debtor and the WARN Act Plaintiffs resolving all Claims asserted in the WARN Adversaries as well as other Employee Claims. The settlement in principle became part of the Global Settlement, which is the cornerstone for the Plan and is described in greater detail in Article VIII herein.

B. FedEx Litigation

1. Introduction

Since 1983, the Debtor has worked with the United States Air Force's Air Mobility Command ("AMC") providing worldwide charter passenger services for military personnel and their families. As a member of the Civil Reserve Air Fleet (defined as "CRAF"), Debtor was one of the largest civilian transporters of U.S. military personnel and their families to and from overseas deployments, with associated annual revenues exceeding \$400 million. For many years, Debtor was a member of a team, headed by FedEx as team leader, which jointly with other carriers provided charter passenger and freight services to the U.S. military. Flying for the military had been for decades a cornerstone of Debtor's charter business plan and was expected to remain so in the future.

AMC is the United States Air Force Component of the United States Transportation Command. AMC is responsible for providing airlift, special missions, aerial refueling, and aeromedical evacuation for troops. However, the military alone does not have the capacity to

and benefits the employee would have been entitled to had they been employed during the 60 day period prior to shutdown).

⁵ On April 10, 2008, Joshua Dannel, a former employee of ATA, filed an adversary complaint against ATA alleging WARN Act violations (the "Dannel WARN Adversary"). The Dannel WARN Adversary was later dismissed in favor of the Batman WARN Adversary.

meet all of its flying needs. As a result, the military relies on civilian aircraft that are part of the CRAF.

CRAF provides an orderly system for meeting the military's airlift needs. Pursuant to the CRAF program, civilian airlines register aircraft that are assigned to three different segments of CRAF: international (which is subdivided into short range and long range), national, and aeromedical. The long range international segment consists of passenger and cargo aircraft capable of transoceanic operations.

To be eligible to join CRAF, a carrier must commit to make a certain percentage of its CRAF-capable passenger and cargo fleets available to the military upon the declaration of a CRAF emergency. When a CRAF emergency is declared, CRAF-registered airlines must make their aircraft and a specified number of personnel available, upon demand and upon short notice, to undertake CRAF missions.

CRAF thus provides to the military an adequate reserve of planes and personnel for emergency purposes – i.e., upon the declaration of a CRAF emergency – while saving the government the costs of purchasing and maintaining a reserve fleet of aircraft. In this way, CRAF provides a major benefit to the government.

To provide incentives for airlines to commit aircraft to CRAF, and to ensure the availability of adequate airlift reserves in the event of the declaration of a CRAF emergency, the United States Government offers CRAF participants the opportunity to bid on an annually guaranteed minimum volume of non-emergency military charter missions, which is known as the “fixed award business.” Carriers are awarded points proportionately based on the number and type of aircraft that each carrier pledges to make available to CRAF. The points thus represent the proportionate right to fly military charter missions, and determine the amount of such work on which each carrier may bid.

Beyond the guaranteed volume, the military also makes additional non-emergency military missions available to CRAF participants in proportion to their allotted points. These missions are known as the “expansion award business.” Expansion award business is awarded monthly based on the military's needs. In fiscal year 2005, for example, the military awarded \$418 million in fixed award business under the guaranteed portion of the military charter business, and more than four times as much \$1.78 billion, in expansion award business.

All major U.S. passenger air carriers, most U.S. cargo air carriers and many minor U.S. air carriers register aircraft with CRAF, thus entitling them to non-emergency military charter missions.

At all relevant times, FedEx and Debtor were members of the long-range international section of CRAF. In January 2008, FedEx provided Debtor with an abrupt notice of ouster of Debtor from the FedEx team in violation of FedEx's contractual and other promises to Debtor, FedEx's duties to Debtor, and without considering the dire consequences to the needs of the U.S. military, troops or to the viability of Debtor.

FedEx's wrongful conduct in removing Debtor from the FedEx team financially destroyed Debtor and caused Debtor to file bankruptcy and thereafter cease operations.

Moreover, FedEx was aware long before FedEx terminated Debtor that Debtor had made recent and substantial multi-million dollar capital expenditures to increase the charter services it could provide to the U.S. military. Specifically, in December of 2006, Debtor incurred debt in excess of \$50 million which included the purchase of seven McDonnell Douglas DC-10-30 aircraft and two McDonnell Douglas DC-10-30 airframes from Northwest Airlines and associated costs in order to satisfy Debtor's obligations to FedEx, the FedEx team and the U.S. military. Shortly before the Debtor entered into the aircraft purchase agreement with Northwest Airlines, FedEx reconfirmed in writing that the Debtor would have a 50% share of the FedEx team's military passenger service for government fiscal years 2007, 2008 and 2009. In January 2008, after Debtor had committed a substantial portion of its operations and financial resources to serving the U.S. military and their families, FedEx gave notice that it was terminating Debtor as a member of the FedEx team.

2. ATA District Court Complaint

As noted above, on January 22, 2008, FedEx abruptly and unexpectedly notified ATA that, despite its prior promises, representations and the performance of the parties, FedEx would no longer permit ATA to be a member of the FedEx team for flying AMC military charters for government fiscal year 2009. The unexpected termination of ATA from participating on the FedEx team resulted in the prospective loss of all or substantially all of ATA's AMC charter business. ATA's longstanding participation in the FedEx team was the mainstay of its charter business and was ATA's most important profit center.

As a result of FedEx's termination of ATA, ATA filed a complaint against FedEx in the United States District Court for the Southern District of Indianapolis ("District Court") alleging six counts, including: (i) breach of contract; (ii) breach of fiduciary duty; (iii) breach of duty of good faith and fair dealing; (iv) equitable estoppel; (v) promissory estoppel; and (vi) constructive fraud/fraudulent concealment. Pursuant to the requirements of the District Court's scheduling order, ATA has made a settlement demand on FedEx for the total destruction of the value of ATA's business enterprise in the amount of \$236,448,000. This settlement demand was made without prejudice to the Debtor's right to amend, supplement and increase its demand because FedEx has only produced a small amount of the documents that ATA has requested and no depositions have been taken.

The District Court has set (and the parties have agreed to) various discovery and other deadlines and the District Court has set the FedEx Litigation for trial in 2010. FedEx and ATA have each initiated discovery against the other and are proceeding under the case management plan established in the case.

C. Recovery on Preference Actions and Other Avoidance Actions

During the ninety (90) days immediately preceding the Petition Date, while insolvent, the Debtor made various payments and other transfers to creditors on account of antecedent debts. Some of those payments may be subject to avoidance and recovery as preferential and/or fraudulent transfers pursuant to Bankruptcy Code sections 329, 544, 545, 547, 548, 549, 550, and 553(b).

The Plan Trust will hold all causes of action called Rights of Action under the Plan, however, Rights of Action specifically excludes Preference Actions. The Plan Trustee may commence or continue, in any appropriate court or tribunal, any suit or other proceeding for the enforcement of such Rights of Action.

The Unsecured Creditor Trust will hold all Preference Actions that the Debtor had (or had power to assert) immediately prior to confirmation of the Plan. The Unsecured Creditor Trustee may commence or continue, in any appropriate court or tribunal, any suit or other proceeding for the enforcement of Preference Actions.

The Debtor's Statement of Financial Affairs identifies the parties who received payments and transfers from the Debtor, which payments and transfers may be avoidable under the Bankruptcy Code. Moreover, the Debtor continues to investigate Preference Actions and Rights of Action it may have against third parties. While the Debtor has not completed its investigation of potential objections to Claims, Preference Actions and Rights of Action, the Debtor is able to provide an estimate of amounts that could be recovered on Preference Actions, as discussed more fully below.

THE PLAN DOES NOT, AND IS NOT INTENDED TO, RELEASE ANY RIGHTS OF ACTION, PREFERENCE ACTIONS, OR OBJECTIONS TO PROOFS OF CLAIM. ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED.

A detailed analysis of potential Preference Actions is set forth below:

Preference Analysis

Estimates (Dollars in Thousands)

	Gross Payments	Low	Mid	High
Payments Made 90 days prior to Filing, per SOFA Schedule 3(b) (Note 1)	\$235,144			
Adjustments (Note 2):				
Payments to Vendors for \$15,000 or Less	(1,736)			
Payments for Prepaid Fuel	(58,574)			
Transfers	(21,752)			
Custom House	(15,388)			
Affiliates	(12,916)			
US Tax/Trust Funds	(21,464)			
Aircraft Lessors	(25,775)			
	<u>\$ 77,539</u>	\$77,539	\$77,539	\$77,539
Defenses (Note 3):				
Estimated New Value Percentages		75.00%	60.00%	50.00%
Estimated New Value		<u>58,154</u>	<u>46,523</u>	<u>38,770</u>
Gross Payments Net of New Value		19,385	31,016	38,770
Potential Cash Collection Percentages		<u>33.00%</u>	<u>40.00%</u>	<u>50.00%</u>
Potential Cash Collections		6,397	12,406	19,385
Estimated Costs (Note 4):				
Attorneys' Fees and Expenses		1,279	2,481	3,877
Accountants Fees and Expenses		768	1,489	2,326
Management Fees and Expenses		320	620	969
Total Costs		<u>2,367</u>	<u>4,590</u>	<u>7,172</u>
Net Available Cash (Note 5)		<u>\$ 4,030</u>	<u>\$ 7,816</u>	<u>\$12,212</u>

THE ABOVE ANALYSIS AND THE CORRESPONDING EXPLANATION ARE BASED ON CERTAIN ASSUMPTIONS AND ESTIMATES AND MAY NOT ACCURATELY REFLECT ACTUAL EVENTS.

The above analysis indicates that after all defenses, estimates, and costs and expenses incurred in obtaining the Net Preference Recoveries are considered, Net Preference Recoveries are estimated to be between approximately \$4 and 12 million.

Note 1: The analysis begins with the gross potential preference payments made within ninety (90) days prior to the Petition Date (the "Potential Preference Payments") as reflected in Schedule 3(b) of the Debtor's Statement of Financial Affairs. From this starting point of approximately \$235 million, certain adjustments and deductions totaling approximately \$160 million are made. These adjustments are described in Note 2 below.

Note 2: The Debtor estimates that approximately \$2 million in Potential Preference Payments were made to vendors who received \$15,000 or less. The Debtor estimates that the

cost of recovering such payments would be greater than the actual recovery. Therefore, Potential Preference Payments of \$15,000 or less are not considered in the analysis. In addition, the Debtor estimates that approximately \$58 million of the payments were prepayments and therefore, not on account of an antecedent debt. Recovery of these payments is not considered in the analysis. In addition, approximately \$22 million in intra-bank transfers made from one Debtor account to another is not considered, because these are not payments to a creditor. Payments to the U.S. Custom House and for U.S. taxes and trust funds are also not included in the analysis because such obligations are likely priority claims and would have to be paid under any chapter 11 plan. Recovery of approximately \$13 million of Potential Preference Payments made to the Affiliates is also deducted from the above analysis, because such a recovery would only benefit the Lenders as the Lenders have a lien on Affiliate Preference Actions. Finally, recovery of lease payments made to lessors of the Debtor's aircraft is not considered in the analysis because monthly lease payments made within the grace period are not on account of an antecedent debt. In total, the Debtor has reduced its estimate of total recoveries by approximately \$160 million to account for the adjustments noted above.

Note 3: The Debtor estimates that of the remaining Potential Preference Payments, between approximately \$6 million and \$20 million will be recovered, because of certain defenses that may be asserted and sustained. Based upon the Debtor's analysis, between 50% and 75% of the remaining \$77 million may not be recovered because such payments may have been made in exchange for new value to the Debtor's estate. The analysis estimates that the new value defense should approximate \$40 to \$60 million in Potential Preference Payments. In addition to the new value defense, payments made in the ordinary course of the Debtor's business are also not subject to recovery as preferential payments. After taking such defenses into account, the Debtor estimates that there is a remaining potential recovery of between approximately \$6 million and \$20 million.

Note 4: The Debtor estimates that there will be costs and expenses of pursuing the Preference Actions. These costs may include professional fees and expenses for attorneys and accountants, as well as management fees and expenses. The Debtor's estimate of these costs and expenses are based on a percentage of the total amount of recovery.

Note 5: After taking the costs of recovery into consideration, the Debtor estimates that the Preference Actions could yield between approximately \$4 million and \$12 million of net cash.

Creditors should understand that legal rights, claims and Preference Actions the Debtor may have against them, if any exist, are retained under the Plan for prosecution by the Unsecured Creditor Trustee for the benefit of the Unsecured Creditors Trust as more fully discussed in Article XI herein. As such, Creditors are cautioned not to rely on (i) the absence of the listing of any legal right, claim or Preference Action against a particular Creditor in the Disclosure Statement, Plan, Schedules of Assets and Liabilities, or Statement of Financial Affairs; or (ii) the absence of litigation or demand prior to the Effective Date as any indication that the Debtor, the Unsecured Creditor Trustee, or the Plan Trustee do not possess or do not intend to prosecute a particular Preference Action or Right of Action if a particular Creditor votes to accept the Plan. It is the expressed intention of the Plan to preserve Preference Actions and Rights of Action

whether now known or unknown.

**ARTICLE VII.
POST-BANKRUPTCY CASE ADMINISTRATION**

A. First Day Motions

On or shortly after the Petition Date, the Debtor filed a number of motions to administer the Bankruptcy Case in a timely and efficient manner. Pursuant to those motions, the Bankruptcy Court entered orders that, among other things, granted the Debtor the authority to:

- serve notice of the commencement of the case and of the meeting of creditors;
- establish procedures for payment of professionals;
- employ professionals in the ordinary course of business;
- establish notice procedures and a Master Service List;
- establish service of pleadings by electronic mail;
- establish regularly scheduled omnibus hearings;
- pay to the relevant taxing authorities and other governmental entities certain trust fund taxes;
- pay taxes withheld from employee salaries and to pay to the plan administrator all 401(k) payments made by employees;
- extend the period during which utility companies may not alter, refuse, or discontinue services to the Debtor;
- implement a retention and severance program for employees vital to the operations and the wind-down of the Debtor's business operations, and authority to pay such employees;
- pay prepetition accrued wages, salaries, medical benefits, and reimbursable employee expenses;
- continue use of cash management system;
- authorizing the use of cash collateral;
- extend the time within which the Debtor must file Schedules of Assets and Liabilities and Statement of Financial Affairs; and
- reject unexpired leases of the leases relating to the Aircraft and Spare Engines pursuant to 11 U.S.C. § 365.

B. Meeting of Creditors

The meeting of creditors required under section 341 of the Bankruptcy Code was held on May 30, 2008 and concluded on July 28, 2008.

C. Official Committee of Unsecured Creditors

On April 16, 2008 the United States Trustee appointed an official committee of unsecured creditors (defined as the “Committee”) in the Bankruptcy Case. The Committee is composed of the following parties:⁶

Goodrich Corporation
4 Coliseum Center
2730 W. Tyvola Rd.
Charlotte, NC 28217-4578

Servisair USA Inc.
151 N. Point Drive
Houston, TX 77060

Air Line Pilots Association
5333 S. Laramie Avenue, Suite 119
Chicago, IL 60638

Association of Flight Attendants-
CWA, AFL-CIO
620 Liberty Court
Bourbonnais, IL 60914

D. Schedules of Assets and Liabilities and Statement of Financial Affairs

The Debtor filed its Schedules of Assets and Liabilities and Statement of Financial Affairs on May 28, 2008.

E. Agreement Regarding Use of Cash Collateral

Obtaining use of cash collateral in this case was critical to the Debtor’s efforts in undertaking an orderly wind-down of its business operations, paying certain employee priority claims and progressing towards the filing and implementation of a chapter 11 plan. ATA developed and secured the use of cash collateral through negotiations with numerous constituencies and objecting parties to reach agreement on interim and final cash collateral orders. Moreover, the Debtor negotiated the use of cash collateral to pay certain employee

⁶ Wilmington Trust Company was initially a member of the Committee but subsequently resigned. Accordingly, on May 29, 2008, the United States Trustee filed a notice with the Bankruptcy Court removing Wilmington Trust Company from the Committee. The United States Trustee did not appoint another creditor to replace Wilmington Trust Company on the Committee.

benefit claims such as those arising under the Consolidated Omnibus Budget Reconciliation Act (COBRA), prepetition medical claims and pilot credit bank claims. The payment and provision for future payment of these claims is approximately \$10 million. These efforts resulted in an unusual benefit to employees by satisfying prepetition employee wage claims along with a portion of their priority claims.

F. Asset Disposition and Recovery

On the Petition Date, the Debtor's principal assets included a fleet of thirty-three (33) aircraft (together with their engines), miscellaneous spare engines, and related parts and equipment, including rotables. As part of the first day relief requests in the Bankruptcy Case, the Debtor obtained authority to reject leases related to twenty-eight (28) of the aircraft and six spare engines. The Debtor completed the return of the rejected aircraft and engines (which had an aggregate value approaching a \$1 billion) in less than forty-five (45) days after the bankruptcy filing.

The Debtor's post-bankruptcy efforts include identifying, analyzing and recovering assets, including spare parts, tooling, catering equipment and cash collateral. These efforts require coordinating the return of numerous assets from both domestic and foreign locations.

The Debtor has sold and continues to sell its assets via private sale and at auction. The Debtor has also sold and abandoned certain de minimis property.

More specifically, the Debtor sought and obtained Bankruptcy Court approval of a process by which the Debtor could sell and/or abandon certain de minimis personal property. The Debtor filed fourteen (14) notices of abandonment for property that had no material realizable value. In addition, the Debtor filed fourteen (14) notices of sale of de minimis personal property. In addition to de minimis sales, the Debtor filed two motions to sell catering equipment and ground service equipment, subject to higher and better offers.

The majority of the Debtor's office equipment and aviation spare parts inventory has been sold at auction. The Debtor filed applications to engage two separate auctioneers: Pyramid Auction Services, Inc. d/b/a Key Auctioneers ("Key") and Starman Bros. Auctions Inc. ("Starman"). Key was engaged to sell vehicles, office furnishings, computers, telephone and IT equipment and other similar miscellaneous assets. Key has held a total of three (3) auctions in Indianapolis and one in Chicago. In addition, the Debtor contemplates conducting one additional Key auction. The net sale proceeds derived from the Key auctions are set forth below.

Starman was engaged to sell the Debtor's aviation spare parts inventory and related tooling and equipment. Starman has held one auction in each of Hawaii, Texas, and Indianapolis. In addition, the Debtor contemplates conducting one additional Starman auction. The net sale proceeds derived from the Starman auctions are set forth below.

The Debtor further negotiated agreements for the sale of its fuel inventory, which is stored in various locations, including LaGuardia Airport, Indianapolis International, Ronald Reagan Washington National Airport, Keahole-Kona International Airport, Hilo International Airport, Lihue Airport, Honolulu, Fort Meyers, and Dallas/Ft. Worth International Airport. The Debtor has a similar sale pending at Baltimore-Washington International Airport. In addition,

the Debtor is continuing to analyze and recover fuel prepayments and credits from fuel vendors. The Debtor estimates that it will be able to recover in excess of \$2.5 million stemming from such prepayments.

The Debtor also has substantially completed the sale of certain L-1011 aircraft, engines, and related parts and equipment for the purchase price of \$2.5 million. Specifically, the Debtor entered into a letter of intent with a third party for the sale of two L-1011 airframes and associated engines, four (4) spare engines, and certain related spare parts. The Debtor believes that the purchase price for the assets is more than would have been realized had the assets been sold at a public auction.

A summary of the Debtor's asset dispositions and recoveries thereon is set forth in the following chart:

Description of Sale	Total Number	Approximate Sale Proceeds
De Minimus Sale/Abandonment	14	\$125,000
Catering Equipments	1	150,000
Ground Service Equipment	1	232,000
Key Auctions	4	483,000
Starman Auctions	3	16,000,000
Fuel Inventory	numerous	4,200,000
Aircraft and Related Parts	1	2,500,000
Total		<u>\$23,690,000</u>

On November 21, 2008, the Bankruptcy Court entered an order approving the Debtor's Motion under Bankruptcy Code Sections 105 and 363 to Establish Solicitation and Bid Procedures for the Sale of Certain L1011 Aircraft, Free and Clear of Liens, Claims, Interests, and Encumbrances (the "L-1011 Motion"), seeking Bankruptcy Court approval of solicitation and bid procedures for the sale of the Debtor's three (3) remaining L-1011 aircraft. At the time of the filing of this Disclosure Statement, the Debtor has received expressions of interest from multiple parties regarding an acquisition of the L-1011 aircraft, but no party has submitted a letter of intent or other written proposal for such acquisition. The deadline for submitting proposals for the acquisition of the L1011 aircraft is December 12, 2008.

On November 21, 2008, the Debtor filed its Motion for Entry of an Order Authorizing the Debtor to Sell Domain Names Free and Clear of Liens and Encumbrances Pursuant to 11 U.S.C. § 363 and Fed. R. Bankr. P. 2002(c) and 6004 and Pay the Costs and Expenses of Sale, seeking Bankruptcy Court approval to sell all of its domain names through an online auction and pay all

costs and expenses incurred as a result of such sales. The Debtor estimates that this sale will result in net proceeds of approximately \$100,000.

As a result of the above asset dispositions, as of the date of filing this Disclosure Statement, ATA has collected approximately \$23 million for the benefit of the bankruptcy estate.

G. Sale of Business

On December 2, 2008, the Bankruptcy Court entered an order approving the Debtor's Emergency Motion for Order (I) Approving the Debtor's Selection of Southwest Airlines Co. as the Party Submitting the Highest and Best Offer for the Acquisition of the Debtor's Business; (II) Approving Southwest Airlines Co.'s Bid Proposal, Including the Bid Protections Therein; and (III) Authorizing the Debtor to Enter into a Lease Agreement Regarding Certain Slots at LaGuardia Airport (the "Sale Motion"), which order approves the Sale of the Debtor's Business (as defined below) to Southwest (also defined as the "Buyer").

1. The Business

At the time of the Sale Motion, the Debtor continued to possess certain assets and authorities not otherwise sold pursuant to an asset sale motion or other auction, including: a number of executory contracts and unexpired leases; certain intellectual property, including tradenames/trademarks and copyrights; goodwill; manuals, logs, and records related to its operating assets and authorities; authorizations that allow it to operate as a commercial airline; computer databases and software; certain airport operating authorities;⁷ and other miscellaneous tangible and intangible assets (collectively, the "Business").

2. The Marketing Efforts

In May 2008, the FAA approached the Debtor concerning the Debtor's intentions with respect to continuing or restarting its business operations, and indicated during those discussions that it would only recognize the continuation of the operating authorities through a sale of the Business.

Subsequent to filing this Bankruptcy Case, the Debtor began receiving expressions of interest from various parties regarding an acquisition of the Debtor's business and certain operating authorities. In all, thirteen (13) parties (or their agents) contacted the Debtor inquiring about a potential acquisition of the business and related authorizations. The Debtor ultimately

⁷ Among the principal assets comprising the Business are the Debtor's fourteen (14) "operating authorizations" at LaGuardia Airport in New York (the "LaGuardia Slots"). "Operating authorizations" (commonly known as "slots") are authorities assigned by the Federal Aviation Administration ("FAA"), or exemptions to such authorizations, permitting a carrier to conduct scheduled arrival or departure operations during specified time intervals. The LaGuardia Slots are subject to various rules and regulations established by the FAA generally designed to manage the traffic congestion at LaGuardia Airport. The LaGuardia Slots are currently governed under an FAA order titled Operating Limitations at New York LaGuardia Airport (71 FR 77854). The Debtor currently holds slots at LaGuardia Airport and Ronald Reagan Washington National Airport in Washington, D.C. The Debtor leases 12 of the slots at LaGuardia Airport and two of the slots at Ronald Reagan Airport to AirTran Airways, Inc. pursuant to separate lease agreements.

identified several parties with a legitimate interest in purchasing the company, and discussed such a sale with various constituents, including the FAA.

On October 17, 2008, the Bankruptcy Court entered an order establishing various solicitation and bid procedures for the acquisition of the Business, including rules concerning the form and content of the bid proposals, a deadline for submitting bid proposals, the requirement of a good faith deposit, rules concerning due diligence efforts, and the scheduling of a status conference to discuss the results of the bid procedures.

3. The Proposals

As a result of the bid procedures, the Debtor received bid proposals for the acquisition of the Business from three (3) parties by the bid deadline, including Southwest. One of the bid proposals was subsequently determined to be non-compliant with the bid procedures. On November 8, 2008, one of the two (2) remaining bidders withdrew its proposal and confirmed that it was not willing to participate in the auction for the acquisition of the Business. The withdrawal left Southwest as the sole remaining bidder for the Business.

The bid proposal negotiated between the Debtor and Southwest is memorialized in a letter of intent dated November 18, 2008 (defined as the "Buyer LOI"). The Buyer LOI contemplates the sale of the Business through a stock transaction that will be consummated pursuant to the Plan.

4. The Terms

The essential terms of the Southwest Proposal include the following:

(a) The Purchase

Southwest will purchase one hundred percent (100%) of new common stock or similar equity interest issued by the Reorganized Debtor under the Plan in exchange for \$7.5 million to be paid at the Plan closing. The sale may also include certain Executory Contracts that will be assumed pursuant to the Schedule of Assumed Contracts.

(b) Other Essential Terms

The Buyer LOI contains various deadlines for the occurrence of certain events, including entry of an order approving the Sale Motion; the completion of definitive documents and the filing of the Plan and Disclosure Statement; entry of the Disclosure Statement Approval Order for solicitation of votes on the Plan; and entry of the Confirmation Order.

The Buyer LOI also includes certain bid protections. At the closing of any sale or equivalent transaction, including without limitation, any sale of substantially all of the Retained Assets to a party other than Southwest, the Debtor shall reimburse Southwest for its reasonable and necessary legal fees, expenses and costs incurred in connection with the preparation of the Buyer LOI, preparation for the auction and pursuit of the sale transaction; provided, such reimbursement shall not exceed \$250,000. Additionally, upon the closing of an alternative

transaction, the Debtor shall pay Southwest a fee in an amount equal to 5% of the proceeds of the alternative transaction (commonly referred to as a “Break-Up Fee”).

H. Professionals

1. Professionals Employed by the Debtor

Pursuant to orders entered by the Bankruptcy Court, the Debtor has retained certain Professionals to represent the Debtor in the Bankruptcy Case. In particular, the Debtor retained Haynes and Boone, LLP and Baker & Daniels, LLP to serve as general bankruptcy counsel.

On April 4, 2008, the Bankruptcy Court entered an order approving the Debtor’s application to retain BMC Group, Inc. (“BMC”) as its claims agent. Subsequently, in addition to serving as the Debtor’s claims agent, the Debtor sought and obtained the Bankruptcy Court’s approval to expand BMC’s services to include (i) serving as the Debtor’s noticing agent and (ii) to assist the Debtor in its analyses of Preference Actions.

The Debtor has also sought and obtained Bankruptcy Court approval to employ and retain (i) Hoover Hull LLP as special litigation co-counsel in connection with the FedEx Litigation; (ii) Paradigm Tax Group, LLC as property tax consultant to the Debtor; (iii) Ryan, Inc. as special fuel excise tax consultant to the Debtor; (iv) Huron Consulting Services LLC as review professionals to assist the Debtor in the review and classification of documents in connection with the FedEx Litigation; and (v) Mesirow Financial Consulting, LLC as financial consultant for the Debtor in connection with the FedEx Litigation.

2. Professionals Employed by the Committee

The Committee, pursuant to orders entered by the Bankruptcy Court, retained (i) the law firm of Otterbourg, Steindler, Houston & Rosen, P.C. as its general bankruptcy counsel; (ii) FTI Consulting, Inc. as financial advisors to the Committee; and (iii) the law firm of Hostetler & Kowalik, P.C. as local counsel to the Committee.

I. Rejection of Executory Contracts

After analyzing its fleet schedules and aircraft fleet, operating costs, relevant business goals and objectives, as well as available financing sources and business combination possibilities, the Debtor determined that it would cease business operations, and therefore it no longer required the use of its leased aircraft (together with the corresponding engines, collectively, the “Rejected Aircraft”) and certain of its leased spare engines (collectively, the “Spare Engines”). On April 8, 2008, the Bankruptcy Court approved the Debtor’s motion to reject the leases relating to the Rejected Aircraft and Spare Engines under Bankruptcy Code section 365 effective of the Petition Date.

The Debtor was also party to various unexpired leases and executory contracts related to its business operations other than the Rejected Aircraft and Spare Engine contracts. Because the Debtor ceased its scheduled service on June 3, 2008, the Bankruptcy Court entered an order approving the Debtor’s motion to reject numerous other executory contracts and unexpired

leases. As a part of this order, and to reduce Administrative Claims, the Debtor obtained Bankruptcy Court approval to reject multiple airport facility leases and related contracts.

On December 22, 2004, the Debtor entered into a codeshare agreement with Southwest, which was subsequently amended and restated (the "Southwest Contract"). The Southwest Contract increased booking and frequent flyer opportunities for ATA's customers. As soon as the Debtor shut down its operations, there was no longer a need for the Southwest Contracts, and on August 15, 2008, the Bankruptcy Court approved the Debtor's motion to reject the Southwest Contract.

Finally, the Debtor has filed a motion to reject all or substantially all of its remaining executory contracts and unexpired leases. Such motion remains pending in the Bankruptcy Court.

ARTICLE VIII. THE GLOBAL SETTLEMENT

A. Introduction

The Global Settlement is a settlement and compromise by and among the Debtor, the Lenders, the Administrative Agent, the Affiliates, the Unions, and Batman regarding the settlement and compromise of Claims asserted against the Debtor and other parties, the terms of which are described herein and reflected in the Plan. The terms of the Global Settlement are set forth in the ATA Labor Settlement Agreement (as defined below), and the Plan Term Sheet (as defined below). The Plan constitutes a motion to compromise controversy under Bankruptcy Rule 9019 and seeks Bankruptcy Court approval of the Global Settlement as it has been implemented into the Plan.

B. ATA Labor Settlement

Subsequent to Debtor's cessation of operations, ALPA, AFA, IAM, and TWU, on behalf of their represented employees and Batman on behalf of himself and all other similarly situated employees, filed the WARN Adversaries. The WARN Adversaries were initiated by ALPA, AFA, IAM, TWU, and Batman and sought recovery of damages equal in amount to 60 days' pay and other benefits by reason of the Debtor's alleged violation of the WARN Act.

On May 7, 2008, GAL and ATA filed their Verified Complaint for Injunctive and Declaratory Relief against ALPA in the United States District Court for the Eastern District of New York in civil action no. 08-CV-1845 (JG)(RER), seeking a declaration that certain labor grievances asserted by ALPA were not arbitrable disputes under the ALPA CBA. ALPA has appealed the judgment rendered by the District Court in favor of GAL and ATA in the Declaratory Action to the United States Court of Appeals for the Second Circuit. This litigation is referred to as the "Second Circuit Grievance Litigation."

On June 13, 2008, the Bankruptcy Court entered a Pre-Trial Order Relating to Adversary Proceedings Arising Under the WARN Act, ordering the parties to conduct a settlement conference on July 29, 2008, concerning the claims asserted in the WARN Adversaries. During

the week preceding the settlement conference, ATA met separately with ALPA, AFA, IAM, TWU, and Batman to present proposals to settle all claims asserted against ATA in the WARN Adversaries as well as other employee claims arising under the CBAs and pursuant to the employee relationship. The meetings between ATA and ALPA, AFA, IAM, and TWU, and the proposals ATA made were undertaken pursuant to section 1113 of the Bankruptcy Code.

ATA, ALPA, AFA, IAM, TWU, and Batman met for the settlement conference on July 29, 2008 and met again on August 27 and 28, 2008 to negotiate and bargain over the settlement proposals made by ATA. Subsequently, on August 28, 2008, ATA, ALPA, AFA, IAM, TWU, and Batman entered into a settlement agreement in principle (the “ATA Labor Settlement Agreement”) regarding bargaining pursuant to section 1113 of the Bankruptcy Code, the settlement of all claims and disputes among the parties and including the Employee Claims. The ATA Labor Settlement Agreement resolved all Claims arising under the WARN Adversaries, the Second Circuit Grievance Litigation as well as other Claims arising out of the CBAs and the employee relationship. The ATA Labor Settlement Agreement was conditioned upon implementation in a consensual chapter 11 plan with the support of the Lenders and the Committee.

On October 8, 2008, subsequent to the ATA Labor Settlement Agreement being executed, ATA and AMFA met to negotiate AMFA’s joinder to the ATA Labor Settlement Agreement. On November 21, 2008, AMFA joined in the ATA Labor Settlement Agreement.

C. The Plan Term Sheet

Because the ATA Labor Settlement Agreement was conditioned upon implementing the settlement terms in a consensual chapter 11 plan, the additional support of the Lenders and the Committee was required. To gain support from the Committee and the Lenders, the Debtor negotiated certain terms of a chapter 11 plan acceptable to each of the parties. In mid-October, 2008, the Debtor, the Lenders, and the Committee reached an agreement on the terms of a consensual chapter 11 plan incorporating the terms of the ATA Labor Settlement Agreement as well as other negotiated terms. This agreement was reflected in a term sheet outlining the essential terms of a consensual chapter 11 plan and incorporating the terms of the ATA Labor Settlement Agreement (the “Plan Term Sheet”).

One of the primary purposes of the Plan Term Sheet includes setting forth the treatment of Claims and Equity Interests under the Plan. The treatment of each Class of Claims and Equity Interests is fully described in Article X.D herein and in Article 3 of the Plan. Essentially, the Plan Term Sheet provides for the following treatment of Claims and Equity Interests under the Plan:

- Allowed Professional Compensation Claims will be paid in full.
- Subject to an aggregate limit of \$5.0 million, Allowed Administrative Claims, Allowed Secured Tax Claims, Allowed Priority Unsecured Tax Claims, and Allowed Priority Unsecured Non-Tax Claims will be paid consistent with the Bankruptcy Code requirements.

- Allowed Lender Claims will be satisfied by payment of proceeds from the liquidation of the Plan Trust Assets, and Cash constituting Plan Trust Assets except for certain funds and reserves necessary for the implementation of the Plan.
- Allowed Other Lender Secured Claims will be satisfied through either (i) Cash on the Effective Date; (ii) conveyance of the collateral securing the Other Secured Claim back to the claimholder; or (iii) such other treatment that may be agreed to by the holder of such Claim and the Plan Trustee.
- Holders of Employee Claims shall receive an Allowed Priority Employee Claims that will entitle them to receive their Employee Pro Rata Share of: (i) \$4.0 million in Cash; (ii) half of the Net Preference Recoveries (as described in Article VI.C herein); and (iii) 7.5% of the Net FedEx Recoveries (as described in Article VI.B herein). Holders of Employee Claims shall also receive an Allowed General Unsecured Claim for the excess of their Employee Claim over the amount of their Allowed Priority Employee Claim. In the Global Settlement, the Debtor estimated total Employee Claims at \$28,967,000. Of this amount, the Debtor estimated Employee Priority Claims in the mid range of recovery to be approximately \$7,261,000 and the remainder of approximately \$21,706,000 will be treated as a General Unsecured Claim under the Plan.
- Holders of General Unsecured Claims will receive their Pro Rata Share of (i) \$2.5 million in Cash; (ii) half of the Net Preference Recoveries (as described in Article VI.C herein); and (iii) 7.5% of the Net FedEx Recoveries (as described in Article VI.B herein).
- Equity Interests will be cancelled and will not receive a Distribution under the Plan.

In addition to setting forth the treatment of Claims and Equity Interests, the Plan Term Sheet also provides that the WARN Adversaries, the Second Circuit Grievance Litigation, and the Appeal will be dismissed with prejudice upon the Effective Date. Further, the Plan Term Sheet provides that any CBA with any of the Unions shall be deemed extinguished, terminated and rejected as of the Confirmation Date.

As part of the Plan Term Sheet, the Lenders agreed to waive any rights they may have to receive a distribution under the Plan based upon a Deficiency Claim in excess of the Lender Recoveries they may have against the Debtor arising from the Debtor's guarantee of the obligations under the Term Loan Agreement. The Lenders further agreed to waive any rights they may have to the Preference Actions and the Net Preference Recoveries. Finally, the Lenders agreed to allow their Cash Collateral to be used to establish the Plan Trust Operating Reserve, the Labor Settlement Fund, the Unsecured Settlement Fund, the Priority Claim Fund, and the Professional Compensation Claim Fund in order to fund the payments and reserves required under the Plan.

The Committee, the Unions, and Batman also each agreed to certain additional terms of the Plan Term Sheet. Specifically, the Committee agreed to solicit support of the Plan from the holders of General Unsecured Claims. Further, the Committee, the Unions, and Batman agreed that they will have no input on the prosecution of the FedEx Litigation, as such prosecution will be fully determined by the Lenders.

The Plan Term Sheet also contains an agreement by the Affiliates to waive any distribution under the Plan on account of any Claim they may have against the Debtor, provided however, GAL shall be deemed to hold an Allowed Other Secured Claim under Bankruptcy Code section 506(a) in an amount equal to the amount of any insurance premium refund received by GAL that gives rise to a valid setoff right against Debtor. Such Allowed Other Secured Claim shall be satisfied by the retention of any Cash received by GAL giving rise to the valid setoff right.

The parties to the Plan Term Sheet also agreed upon certain releases of claims. First, the Unions and Batman will release the Debtor, the Affiliates and the Lenders from certain employment related claims. Second, the Debtor and the Lenders will release each other from all claims, however, this release will not affect any claims the Lenders may have against the Affiliates. Third, the Debtor and the Affiliates will release each other from all claims, except for certain claims of setoff. Fourth, the Debtor, the Lenders, the Affiliates and the Committee will release the Debtor's officers and directors solely in their capacities as officers and directors from all claims. The Plan Term Sheet also contains an exculpation that provides that the Debtor, the Debtor's professionals, the Lenders, the Affiliates and the Committee will have no liability to any holder of a Claim for any action taken or not taken in connection with the decision to file a bankruptcy petition on behalf of the Debtor, the shutdown of the Debtor's operations, the wind-down and operation of the Debtor during chapter 11, the administration of the Bankruptcy Case, the negotiation and implementation of the Plan, confirmation of the Plan, consummation of the Plan (including all Distributions thereunder), the administration of the Plan, and the property to be distributed under the Plan. Finally, the Plan Term Sheet also provides that any Creditor who votes for the Plan or receives a Distribution under the Plan is deemed to have released the Lenders, the Administrative Agent, GAL and subsidiaries of GAL (but not including the Debtor) from all claims relating to the Debtor, the Bankruptcy Case, or ownership, management and operation of the Debtor; however, such release shall not operate as a release or waiver of any claim or cause of action related to or arising out of any guaranty made by GAL or its subsidiaries (other than the Debtor).

The parties to the Plan Term Sheet also agreed to the method for appointing the Plan Trustee and the Unsecured Creditor Trustee. Specifically and subject to approval by the Bankruptcy Court, the Plan Trustee will be selected by the Debtor and the Administrative Agent, and the Unsecured Creditor Trustee will be selected by the Committee, the Unions, and Batman.

The Debtor believes that the Global Settlement as it has been implemented into the Plan is in the best interest of Creditors because it eliminates enormous and expensive litigation and allows the Debtor to proceed towards the confirmation of a chapter 11 plan that is consensual among most of the Debtor's major Creditor constituencies. The terms of the Plan are the result of active arms' length negotiations among the Debtor, the Lenders, the Committee, the Unions, Batman, and the Affiliates, and the Debtor believes the Global Settlement and the Plan fairly

resolves all of the significant claims and issues among the Debtor and these major Creditor constituencies.

D. Batman Class Certification and Opt Outs

As noted above, the Batman WARN Adversary was filed as a class action. On December ____, 2008, Batman and the Debtor filed their Joint Motion for Preliminary Approval of Class Action Settlement, seeking certification of a settlement class action and preliminary approval of the Global Settlement as it relates to the Batman plaintiffs. On ____, 2009, the Bankruptcy Court certified the class and granted preliminary approval of the Global Settlement in the Batman WARN Adversary. The Court will consider final approval of the Global Settlement in the Batman WARN Adversary on ____, 2009, in conjunction with confirmation of the Plan.

Under the Federal Rules of Civil Procedure governing class actions, the potential members of the Batman class had the right to opt out of the Global Settlement. The Plan Term Sheet provides that total Employee Claims asserted by Batman class members who opt out of the Global Settlement ("Opt Out Claims") cannot exceed \$75,000. The Bankruptcy Court established ____, 2009, as the deadline to opt out of the Global Settlement. As of the deadline to opt out, Opt Out Claims totaled only \$_____. Accordingly, other than Bankruptcy Court approval and Plan confirmation, there are no other remaining conditions to the effectiveness of the Global Settlement with respect to Batman.

ARTICLE IX. ESTIMATED DISTRIBUTIONS TO CREDITORS

A. Estimate of Administrative, Priority and General Unsecured Claims

The Debtor, in consultation with its advisors, has reviewed all Claims and undertaken a preliminary reconciliation of filed proofs of claim and scheduled Claims. As to Priority Unsecured Claims, the Debtor estimates that the ultimate allowed amount of such Claims will be reduced and generally will be consistent with the amounts scheduled by the Debtor.

1. Allowed Administrative Claims

Section 503(b)(9) of the Bankruptcy Code grants administrative priority for the value of any goods received by the debtor within twenty (20) days before the commencement of the case in which the goods have been sold to the debtor in the ordinary course of the debtor's business ("Reclamation Claims"). The Debtor estimates that there is approximately \$400,000 in Reclamation Claims. The Debtor further estimates that there are other Administrative Claims representing approximately \$400,000. In total, the Debtor estimates that Allowed Administrative Claims will be approximately \$800,000.

2. Allowed Priority Unsecured (Tax and Non-Tax) Claims

The Debtor estimates that the employer's portion of the employment taxes on the Distributions of the Labor Settlement Fund (\$4 million) to the Unions and Batman will be approximately \$400,000. Also taken into account in determining the amount of Allowed Priority

Unsecured (Tax and Non-Tax) Claims are customer deposits. The Debtor estimates that customer deposits will be approximately \$1,000,000. The Debtor further estimates that Priority Unsecured Tax Claims will be Allowed in the approximate amount of \$2.8 million. Therefore, the Debtor estimates that the total amount of Allowed Priority Unsecured (Tax and Non-Tax) Claims will be approximately \$4.2 million.

3. Allowed General Unsecured Claims

The Debtor's estimate of General Unsecured Claims is described in the following chart:

Estimate of General Unsecured Claims (Dollars in Thousands)

	Estimates
Unsecured Claims From Schedules (Note 1):	
Schedule F	\$328,794
Schedule D	2,101
	<u>330,895</u>
Less Unsecured Claims to Affiliates (Note 2):	
Global Aero Logistics, Inc.	(180,995)
North American Airlines, Inc.	(979)
World Airways, Inc.	(8,391)
New ATA Acquisitions, Inc.	(81,587)
	<u>(271,952)</u>
Other (Note 3):	
Workers' Comp. in Excess of Letters of Credit	800
Landing Fees, Etc.	7,600
Employee Claims (approximate unsecured portion)	20,000
Other	6,400
	<u>34,800</u>
Estimated Rejection Claims (Note 4):	
Estimated Aircraft Lease Rejection Claims	973,000
Mitigation (FMV of Aircraft)	(672,000)
Other Estimated Rejection Claims	25,257
	<u>326,257</u>
Total:	<u><u>\$ 420,000</u></u>

The Debtor's total estimate of General Unsecured Claims is approximately \$420 million. This estimate does not include the Lender Deficiency Claim which the Lenders have agreed to waive as part of the Global Settlement.

Note 1: In estimating the General Unsecured Claims, the Debtor took into account approximately \$331 million in scheduled Unsecured Claims. In addition, the Debtor also accounted for approximately \$2.1 million in Deficiency Claims from Other Secured Claims.

Note 2: The Debtor deducted approximately \$272 million from the \$331million estimate because the Affiliates have agreed as part of the Global Settlement to waive the Affiliate Claims.

Note 3: The Debtor estimates that the Unsecured portion of Employees Claims is approximately \$20 million and there will be approximately \$15 million in additional Allowed General Unsecured Claims.

Note 4: The Debtor estimates that Claims resulting from the Debtor's rejection of certain Executory Contracts net of mitigation could be approximately \$326 million.

B. Distribution Analysis

The Debtor has estimated the various recoveries to holders of Employee Claims and General Unsecured Claims in the Distribution Analysis attached to this Disclosure Statement as **Exhibit 2**.

The Debtor's Distribution Analysis provides a range of recoveries in three cases, a low case, a mid case and a high case. The primary difference in each of the recovery cases relates to the magnitude of Net Preference Recoveries which range from approximately \$4 million to \$12 million. The Distribution Analysis does not estimate any specific value for Net FedEx Recoveries at this time because the FedEx Litigation has just recently commenced, however, the Distribution Analysis does estimate a recovery percentage for each \$25 million in Net FedEx Recoveries that is ultimately obtained.

With respect to Employee Claims, the Plan provides that a portion of the Employee Claims will be treated as Priority Employee Claims to the extent of the \$4 million Labor Settlement Fund, 50% of Net Preference Recoveries and 7.5% of the Net FedEx Recoveries distributed to holders of Employee Claims. The remaining balance of the Employee Claims will be treated as General Unsecured Claims. The Debtor has estimated the total amount of Employee Claims to be approximately \$29 million. The Distribution Analysis estimates that holders of Employee Claims will receive anywhere from \$5.5 million to \$9.4 million on account of their Priority Employee Claims and from \$141,000 to \$469,000 on account of their General Unsecured Claims for a total recovery in the range of approximately 19.5% to 34.1% with 26.1% as the mid case for recoveries. As noted above, this estimated recovery does not include Net FedEx Recoveries, however as to Employee Claims, each \$25 million of Net FedEx Recoveries will increase the recovery by approximately 8.0% to 9.6%.

With respect to General Unsecured Claims, the Plan generally provides that holders of General Unsecured Claims will receive the Unsecured Distribution which is composed of the Unsecured Settlement Fund of \$2.5 million, 50% of Net Preference Recoveries and 7.5% of the Net FedEx Recoveries. The Debtor has estimated the total amount of Allowed General Unsecured Claims to range from approximately \$625 million to \$320 million with \$420 million as the mid case. The Distribution Analysis estimates that holders of Allowed General Unsecured Claims will receive a total recovery in the range of 0.6% to 2.4% with 1.3% as the mid case for recoveries. As noted above, this estimated recovery does not include Net FedEx Recoveries, however as to General Unsecured Claims, each \$25 million of Net FedEx Recoveries will increase the recovery by approximately 0.3% to 0.6%.

**ARTICLE X.
DESCRIPTION OF THE PLAN**

A. Introduction

A summary of the principal provisions of the Plan and the treatment of Classes of Allowed Claims and Allowed Equity Interests is outlined below. The summary is entirely qualified by the Plan. This Disclosure Statement is only a summary of the terms of the Plan.

B. Designation of Claims and Equity Interests/Impairment

The following are the Classes of Claims and Equity Interests designated under the Plan. In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims, Professional Compensation Claims, and Priority Unsecured Tax Claims are not classified. No Distribution shall be made on account of any Claim that is not Allowed.

Classes of Claims against and Equity Interests in the Debtor are designated as follows:

Class - 1.1	Allowed Priority Employee Claims
Class - 1.2	Allowed Priority Unsecured Non-Tax Claims
Class - 2	Allowed Secured Tax Claims
Class - 3.1	Allowed Lender Secured Claims
Class - 3.2	Allowed Secured Letter of Credit Claims
Class - 3.3	Allowed Other Secured Claims
Class - 4	Allowed General Unsecured Claims
Class - 5	Allowed Subordinated Claims
Class - 6	Allowed Equity Interests

Claims in Class 1.2 are not Impaired under the Plan. Under Bankruptcy Code section 1126(f), holders of Claims in this Class are conclusively presumed to have accepted the Plan, and are therefore not entitled to vote to accept or reject the Plan. Claims in Classes 5 and 6 will receive no property or Distribution under the Plan. Pursuant to Bankruptcy Code section 1126(g), holders of Claims in these Classes are conclusively presumed to have rejected the Plan and are therefore not entitled to vote to accept or reject the Plan. All Claims and Equity Interests other than those in Class 1.2 are Impaired under the Plan. Except as otherwise specified in the Disclosure Statement Approval Order, holders of Claims and Equity Interests in those Classes are entitled to vote to accept or reject the Plan.

C. Allowance and Treatment of Unclassified Claims and Equity Interests

Administrative Claims are Claims for any cost or expense of the Bankruptcy Case allowable under Bankruptcy Code sections 503(b) and 507(a)(1). These expenses include all actual and necessary costs and expenses related to the preservation of the Estate or the operation of the Debtor's business, all claims for Cure Amounts arising from the assumption of Executory Contracts under Bankruptcy Code section 365, and all United States Trustee quarterly fees. All applications or other requests for payment of Administrative Claims arising on or before the Confirmation Date not previously filed must be filed with the Bankruptcy Court and served on the Debtor, the U. S. Trustee, JPMorgan and the Plan Trustee by the Administrative Claims Bar Date. Under the Plan, Allowed Administrative Claims arising through the Confirmation Date shall be paid from the Priority Claim Fund on the later of (a) the Effective Date; or (b) ten (10) days after the date such Claim becomes Allowed.

Professional Compensation Claims are Claims for compensation and reimbursement of expenses by Professionals to the extent allowed under the Bankruptcy Code and Bankruptcy Rules. All applications or other requests for payment of Professional Compensation Claims must be filed with the Bankruptcy Court and served on the Debtor, the U. S. Trustee, JPMorgan and the Plan Trustee by the Professional Compensation Claims Bar Date. Allowed Professional Compensation Claims shall be paid within ten (10) days after the date such Claim becomes Allowed (a) first, from the balance of any retainers held by professionals until fully exhausted; and (b) second, from the Professional Compensation Claim Fund.

Priority Unsecured Tax Claims are Unsecured Claims of Governmental Units that are entitled to priority status under Bankruptcy Code section 507(a)(8). Allowed Priority Unsecured Tax Claims shall be satisfied in full at the election of the Plan Trustee by (i) the payment of Cash from the Priority Claim Fund to the holder of such Claim in the amount of its Allowed Priority Unsecured Tax Claim plus accrued interest at the normal corporate interest rate for tax underpayments determined under section 6621(a) of the Internal Revenue Code, as amended, or (ii) pursuant to an agreement reached with the holder of such Claim.

Until the Bankruptcy Case is closed, all fees incurred under 28 U.S.C. § 1930(a)(6) shall be paid in accordance with the Plan Trust Agreement and Unsecured Creditor Trust Agreement.

Except as otherwise provided for in the Plan, all requests for payment of Administrative Claims arising on or before the Confirmation Date not previously filed must be filed with the Bankruptcy Court within thirty (30) days after the Effective Date. All requests for payment of Professional Compensation Claims must be filed with the Bankruptcy Court within forty-five (45) days after the Effective Date. Any Administrative Claims or Professional Compensation Claims for which a request for payment is not filed by the deadline specified by the Plan shall be discharged and forever barred.

D. Allowance and Treatment of Classified Claims and Equity Interests

1. General

It is not possible to predict precisely the total amount of Claims in a particular Class or the Distributions that will be ultimately paid to holders of Claims in the different Classes because of the variables involved in the calculations (including the results of the claims objection process).

**2. Allowance and Treatment of Allowed Priority Employee Claims
(Class - 1.1)**

This Class includes Employee Claims that are granted pursuant to the Global Settlement priority in payment under Bankruptcy Code section 507(a)(4) (Claims for wages, salaries, or commissions), section 507(a)(5) (Claims for contributions to employee pension plans), and section 503(b)(1)(A) (Administrative Claims), and specifically includes any Claims arising under the WARN Act. Allowed Priority Employee Claims are to be satisfied under the Plan as follows.

(a) Allowance and Treatment of ALPA Employee Claims.

Each ALPA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the ALPA Distribution. The ALPA Distribution consists of 50.83% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an ALPA Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(b) Allowance and Treatment of AFA of Employee Claims.

Each AFA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the AFA Distribution. The AFA Distribution consists of 25.68% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an AFA Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(c) Allowance and Treatment of AMFA Employee Claims.

Each AMFA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the AMFA Distribution. The AMFA Distribution consists of 3.06% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an AMFA Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(d) Allowance and Treatment of IAM Employee Claims.

Each IAM Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the IAM Distribution. The IAM Distribution consists of 0.25% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an IAM Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(e) Allowance and Treatment of TWU Employee Claims.

Each TWU Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the TWU Distribution. The TWU Distribution consists of 0.79% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an TWU Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(f) Allowance and Treatment of Batman Employee Claims.

Each Batman Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the Batman Distribution. The Batman Distribution consists of 19.39% of: (i) \$4 million in Cash; (ii)

fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an Batman Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

The Employee Claims listed on each Employee Claim Register and the Allowance of such Claims as provided for herein constitute a settlement and compromise with respect to Employee Claims asserted against the Debtor and to the extent of any inconsistency between individual proofs of claim filed by Employees and the amounts set forth on the Employee Claim Registers, the amounts set forth on the Employee Claim Registers shall control and all other amounts asserted in a proof of claim shall be deemed disallowed.

3. Allowance and Treatment of Allowed Priority Unsecured Non-Tax Claims (Class - 1.2)

Priority Unsecured Non-Tax Claims are defined under the Plan to include an Unsecured Claim, or that portion thereof, that is entitled to priority in payment under Bankruptcy Code sections 507(a)(1), (6), (7), (9), and (10). Allowed Priority Unsecured Non-Tax Claims shall be paid in full from the Priority Claim Fund on the later of (i) the Effective Date or (ii) ten (10) days after the Allowance Date in accordance with the Plan Trust Agreement.

4. Allowance and Treatment of Allowed Secured Tax Claims (Class - 2)

This Class is comprised of Secured Tax Claims against the Debtor for unpaid taxes for which a particular Governmental Unit taxing authority has a valid Lien against property of the Estate. If there is more than one Allowed Secured Tax Claim, then each Allowed Secured Tax Claim shall be classified in a separate subclass. To the extent permitted under Bankruptcy Code section 506(b), each Allowed Secured Tax Claim shall accrue interest at the applicable rate during the period from the Petition Date until the Confirmation Date. The Plan Trustee may (i) seek a determination regarding the allowability of any Secured Tax Claim under the Bankruptcy Code and the Bankruptcy Rules and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

Allowed Secured Tax Claims shall be satisfied in full at the election of the Plan Trustee by (i) the conveyance of any Plan Trust Assets serving as collateral to the holder thereof to the extent of the Allowed amount of such Secured Tax Claim, (ii) the payment of Cash from the Priority Claim Fund in the amount of its Allowed Secured Tax Claim, or (iii) an agreement between the Plan Trustee and the holder of an Allowed Secured Tax Claim. Any collateral remaining after satisfaction of such Allowed Secured Tax Claim shall remain a Plan Trust Asset, free and clear of any Liens.

Each holder of an Allowed Secured Tax Claim shall retain any Liens securing such Claim against any Plan Trust Assets until such Claim is satisfied in accordance with the Plan or until an earlier date agreed to by the holder of the Allowed Secured Tax Claim and the Plan Trustee.

Subject to the limitations contained in Bankruptcy Code sections 502(b)(3) and 507(a)(8), if the holder of an Allowed Secured Tax Claim has a Deficiency Claim, such Claim shall be treated (as agreed to by the holder of such Claim and the Debtor or, if no such agreement, as determined by the Bankruptcy Court) under the Plan as a Priority Unsecured Tax Claim.

5. Allowance and Treatment of Allowed Lender Secured Claims (Class - 3.1)

This Class is comprised of all Lender Secured Claims of the Lenders against ATA, secured or otherwise, based upon ATA's guarantee of the obligations of ATA Acquisition under the Term Loan Agreement. The Lender Secured Claims are allowed in the aggregate amount of the Lender Recoveries and shall be completely satisfied and treated in accordance with the Plan Trust Agreement as follows.

The Administrative Agent for the Lenders, shall be allocated the Class 3.1 Beneficial Interest in the Plan Trust and shall receive the Lender Distribution in accordance with the Plan Trust Agreement. The Lender Distribution will be a distribution of the Lender Recoveries and includes all proceeds from the liquidation of Plan Trust Assets and all Cash constituting Plan Trust Assets except for the (i) Priority Claim Fund, (ii) Plan Trust Operating Reserve, and (iii) Professional Compensation Claim Fund; provided however, in the case of the Plan Trust Operating Reserve, the Priority Claim Fund and the Professional Compensation Claim Fund, any balance in any of the foregoing that is unused shall be included in the Lender Recoveries.

Holders of Allowed Lender Claims shall not receive any Distribution on account of any Lender Deficiency Claim, including any amount by which the Allowed Lender Claims exceed the amount of the Lender Recoveries.

6. Allowance and Treatment of Allowed Secured Letter of Credit Claims (Class - 3.2)

This Class is comprised of the Secured Claims arising under collateralized letters of credit issued as security for the payment of a Claim against ATA. If there is more than one Allowed Secured Letter of Credit Claim, then each Allowed Secured Letter of Credit Claim shall be classified in a separate subclass. The Plan Trustee may (i) seek a determination under the Bankruptcy Code and the Bankruptcy Rules regarding the allowability of any Secured Letter of Credit Claim and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

Allowed Secured Letter of Credit Claims shall be satisfied in full at the election of the Plan Trustee by (i) the conveyance of any Plan Trust Assets serving as collateral to the holder thereof to the extent of the Allowed amount of such Secured Tax Claim, or (ii) an agreement between the Plan Trustee and the holder of an Allowed Secured Letter of Credit Claim. Any collateral remaining after satisfaction of such Allowed Letter of Credit Claim shall remain Plan Trust Assets, free and clear of any Liens.

Each holder of an Allowed Secured Letter of Credit Claim shall remain in possession of any Plan Trust Assets constituting its collateral securing such Claim and shall retain any Liens securing such Claim against Plan Trust Assets until such Claim is satisfied in accordance with the Plan or until an earlier date agreed to by the holder of the Allowed Secured Letter of Credit Claim and the Plan Trustee.

If the holder of an Allowed Secured Letter of Credit Claim has a Deficiency Claim, such Claim shall be treated (as agreed to by the holder of such Claim and the Debtor or, if no such agreement, as determined by the Bankruptcy Court) under the Plan as a General Unsecured Claim.

7. Allowance and Treatment of Allowed Other Secured Claims (Class - 3.3)

This Class is comprised of Secured Claims that are not the Lender Secured Claims or a Secured Tax Claim. Other Secured Claims shall not include any such Claims secured by liens/security interests that are avoidable, unperfected, subject to subordination, or otherwise unenforceable. If there is more than one Allowed Other Secured Claim, then each Allowed Other Secured Claim shall be classified in a separate subclass. The Plan Trustee may (i) seek a determination under the Bankruptcy Code and the Bankruptcy Rules regarding the allowability of any Other Secured Claim and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

Allowed Other Secured Claims shall be satisfied in full at the election of the Plan Trustee by (i) the conveyance of any Plan Trust Assets serving as collateral to the holder thereof to the extent of the Allowed amount of such Other Secured Claim, (ii) the payment of Cash from the Priority Claim Fund in the amount of its Allowed Other Secured Claim, or (iii) an agreement between the Plan Trustee and the holder of an Allowed Other Secured Claim. Any collateral remaining after satisfaction of such Allowed Other Secured Claim shall remain a Plan Trust Asset, free and clear of any Liens. Notwithstanding the above treatment description, the Allowed Other Secured Claim held by GAL shall be satisfied by the retention of Cash received by GAL giving rise to the valid set off right underlying such Claim.

Each holder of an Allowed Other Secured Claim shall retain any Liens securing such Claim against Plan Trust Assets until such Claim is satisfied in accordance with the Plan or until an earlier date agreed to by the holder of the Allowed Other Secured Claim and the Plan Trustee.

If the holder of an Allowed Other Secured Claim has a Deficiency Claim, such Claim shall be treated (as agreed to by the holder of such Claim and the Debtor or, if no such agreement, as determined by the Bankruptcy Court) under the Plan as a General Unsecured Claim.

8. Allowance and Treatment of Allowed General Unsecured Claims (Class - 4)

This Class consists of Allowed Claims that are not: (i) Administrative Claims, (ii) Professional Compensation Claims, (iii) Priority Unsecured Tax Claims, (iv) Priority Unsecured Non-Tax Claims, (v) Priority Unsecured Employee Claim, (vi) Affiliate Claims, or (vii)

Subordinated Claims. General Unsecured Claims shall not include any Deficiency Claim of the Lenders against ATA based upon ATA's guarantee of the obligations of ATA Acquisition under the Term Loan Agreement. General Unsecured Claims shall also not include any Affiliate Claims.

Class 4 Beneficial Interests in the Unsecured Creditor Trust shall be allocated to holders of Class 4 General Unsecured Claims in accordance with the Unsecured Creditor Trust Agreement. Holders of Class 4 Beneficial Interests shall receive their Pro Rata Share of the Unsecured Creditor Distribution. The Unsecured Creditor Distribution includes (i) \$2.5 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery.

9. Allowance and Treatment of Allowed Subordinated Claims (Class - 5)

This Class is composed of Claims (including Claims for punitive damages under applicable law) that are subject to subordination to General Unsecured Claims pursuant to (a) a contract or agreement, (b) a Final Order declaring that such Claim is subordinated in right of payment, or (c) any applicable provision of the Bankruptcy Code, including section 510 of the Bankruptcy Code, or other applicable law. The holders of Allowed Subordinated Claims shall not receive any Distributions or retain any property or interest in property on account of such Claims.

10. Allowance and Treatment of Allowed Equity Interests (Class - 6)

This Class consists of any Equity Interests in the Debtor arising from any capital stock or other equity securities, as defined in Bankruptcy Code section 101(16). On the Effective Date, the Equity Interests shall be canceled and extinguished, and the holders thereof shall not be entitled to receive any Distributions on account of such Equity Interests.

E. Resolution of Claims

The Unsecured Creditor Trustee on behalf of the Unsecured Creditor Trust shall have the right but not the obligation to examine and object to Class 4 General Unsecured Claims. The Unsecured Creditor Trustee shall be substituted for the Debtor as the objecting party with respect to objections to Class 4 General Unsecured Claims pending on the Confirmation Date and shall have the right to continue prosecuting existing objections to the allowance of Class 4 General Unsecured Claims. The Plan Trustee shall have the right, but not the obligation, to object to any Claims other than Class 4 General Unsecured Claims.

Objections to Claims must be filed with the Bankruptcy Court, and a copy of the objection must be served on the subject Claimant(s) before the expiration of the Claim Objection Deadline (unless such period is further extended by subsequent orders of the Bankruptcy Court); otherwise such Claims shall be deemed Allowed in accordance with Bankruptcy Code section 502. The objection shall notify the Claimholder of the deadline for responding to such objection.

Within thirty (30) days after service of an objection, the Claimholder whose Claim was objected to must file a written response to the objection with the Bankruptcy Court and serve a copy on the respective Plan Trustee or the Unsecured Creditor Trustee and the parties identified in section 14.2 of the Plan. Failure to file a written response within the 30-day time period shall constitute a waiver and release of that portion of the subject Claim that was subject to the objection, and shall cause the Bankruptcy Court to enter a default judgment against the non-responding Claimholder or granting the relief requested in the claim objection.

As of the Effective Date, all Affiliate Claims asserted against the Debtor shall be deemed released and waived pursuant to the Global Settlement; provided however, GAL shall be deemed to hold an Allowed Other Secured Claim under Bankruptcy Code section 506(a) in an amount equal to the amount of any insurance premium refund received by GAL that gives rise to a valid setoff right against Debtor. Such Allowed Other Secured Claim shall be satisfied by the retention of any Cash received by GAL giving rise to the valid setoff right. As of the Effective Date, any Lender Deficiency Claim against the Debtor shall be deemed released and waived pursuant to the Global Settlement.

F. Assumption and Rejection of Executory Contracts Under the Plan

On the Effective Date, all Executory Contracts set forth on the Schedule of Assumed Executory Contracts shall be deemed assumed and assigned to New ATA. All Executory Contracts not set forth on the Schedule of Assumed Executory Contracts are deemed rejected as of the Effective Date. Entry of the Confirmation Order shall constitute: (i) the approval, pursuant to section 365(a) of the Bankruptcy Code, of the assumption and/or assumption and assignment of the Executory Contracts assumed pursuant to the Plan or otherwise during the Case; and (ii) the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of the Executory Contracts rejected pursuant to the Plan or otherwise during the Case.

As of the Confirmation Date, all CBAs with any of the Unions shall be deemed terminated, extinguished and rejected under sections 365(a) and 1113(a) of the Bankruptcy Code and of no further force and effect. The Confirmation Order shall constitute approval of the stipulated rejection and termination of the CBAs and a finding that such rejection is in accordance with section 1113 of the Bankruptcy Code. No rejection damage Claim shall arise from the stipulated termination and rejection of any CBA.

The Plan also provides certain procedures governing the assertion of Cure Claims related to the assumption of executory contracts. To the extent a counter-party to an Executory Contracts disputes the Cure Amount identified in the Schedule of Assumed Executory Contracts with respect to the Executory Contract, such counter-party must file a Proof of Cure Claim in the Bankruptcy Case on or before the Cure Claim Bar Date and shall serve such Proof of Cure Claim on the Debtor, JPMorgan, the Committee and the Buyer. If a counterparty to an Executory Contract does not file a Proof of Cure Claim by the Cure Claim Bar Date, the proposed Cure Amount specified on the Schedule of Assumed Executory Contracts with respect to such party's Executory Contract shall be the Cure Amount for that Executory Contract. The Debtor and the Buyer shall have the right to examine any Proof of Cure Claim filed by any party, and shall have the right to object to and contest the Disputed Cure Amount asserted therein. Any objection to a

Disputed Cure Amount must be filed with the Bankruptcy Court on or before the Cure Claim Objection Deadline and served on the party asserting such Disputed Cure Amount

Within ten (10) Business Days after the Effective Date, the Buyer shall: (1) pay, in cash, all Cure Amounts related to Executory Contracts listed on the Schedule of Assumed Executory Contracts, other than Disputed Cure Amounts, and, (2) for each Executory Contract listed on the Schedule of Assumed Executory Contracts subject to a Disputed Cure Amount, deposit in escrow funds in an amount equal to such Disputed Cure Amount pending final determination of the Cure Amount applicable to such Executory Contract.

Except as otherwise provided in the Plan, each Claim resulting from the rejection of an Executory Contract pursuant to the Plan shall be filed with the Bankruptcy Court no later than the Rejection Damage Claim Bar Date. Any Claim resulting from the rejection of an Executory Contract not filed by the applicable deadline shall be deemed waived and forever barred and shall not be entitled to any Distributions under the Plan. The Unsecured Creditor Trustee shall have the right, but not the obligation, to object to any Claim resulting from the rejection of an Executory Contract.

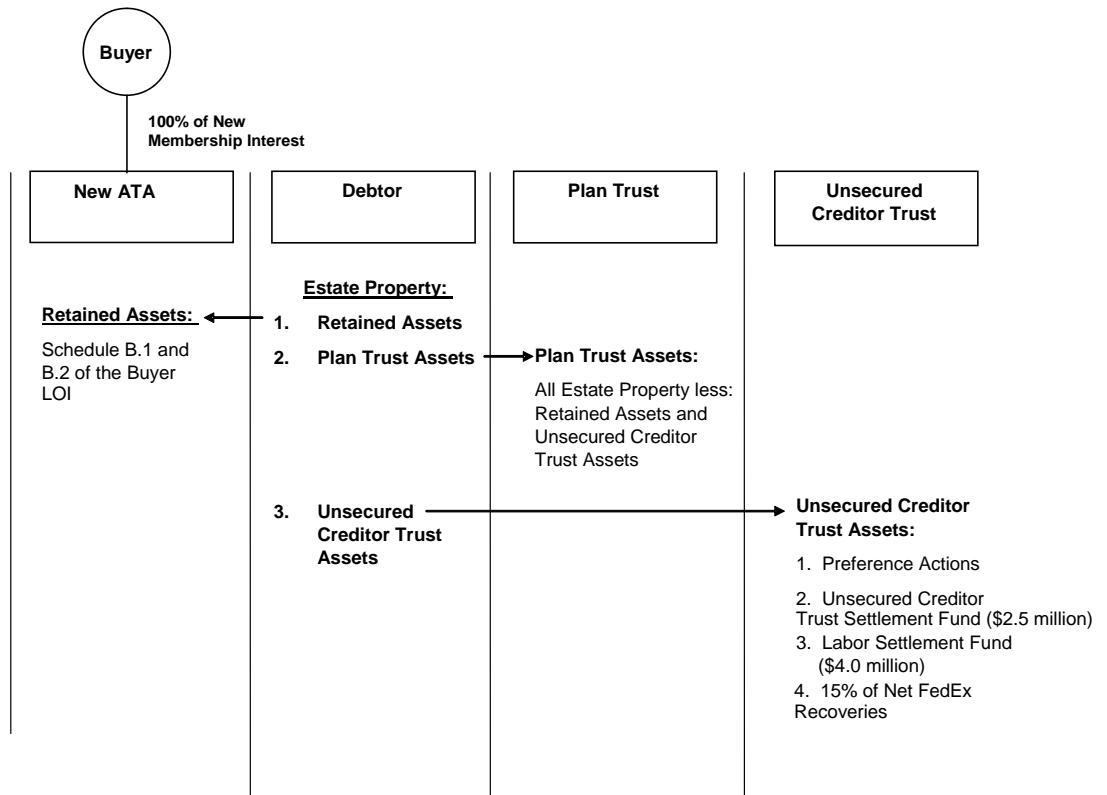
Any obligation of the Debtor to indemnify, reimburse, or limit the liability of any Person, including, but not limited to any officer or director of Debtor, or any agent, professional, financial advisor, or underwriter of any securities issued by Debtor, relating to any acts or omissions occurring before the Petition Date, whether arising pursuant to charter, by-laws, contract or applicable state law, shall be deemed to be, and shall be treated as, an Executory Contract and (i) shall be deemed to be rejected, canceled, and discharged pursuant to the Plan as of the Effective Date and (ii) any and all Claims resulting from such obligations are disallowed under section 502(e) of the Bankruptcy Code. Notwithstanding any of the foregoing, nothing contained in the Plan impacts, impairs or prejudices the rights of any Person covered by any applicable D&O Policy with respect to such policy or policies.

ARTICLE XI. MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN

A. Introduction

The Plan provides that Claims will be satisfied through the establishment of two separate trusts: (i) the Plan Trust; and (ii) the Unsecured Creditor Trust. The two trusts will each be managed by a trustee. Such trustee will be responsible for, among other things, the distribution of assets of the respective trust. The means for implementation of the Plan and the funding of the trusts with Estate Property is illustrated in the following chart:

Means for Implementation of the Plan



At the Closing under the Plan, the Debtor will transfer and convey the Plan Trust Assets to the Plan Trust. The Plan Trust Assets include all of the Estate Property less the (i) Retained Assets and (ii) Unsecured Creditor Trust Assets.

Further, at the Closing under the Plan, the Debtor will transfer and convey the Unsecured Creditor Trust Assets to the Unsecured Creditor Trust. The Unsecured Creditor Trust Assets include (i) Preference Actions, (ii) \$2.5 million in Cash (defined as the "Unsecured Creditor Settlement Fund"), (iii) \$4.0 million in Cash (defined as the "Labor Settlement Fund"), and (iv) fifteen percent (15%) of the Net FedEx Recoveries.

Finally, at the Closing under the Plan, the Retained Assets will be transferred to New ATA and New ATA will be owned by the Buyer. The Retained Assets include (i) those assets, rights and privileges identified on Schedule B.1 of the Buyer LOI and (ii) the Executory Contracts assumed by and assigned to New ATA and identified on Schedule B.2 of the Buyer LOI.

Distribution of the Plan Trust Assets and the Unsecured Creditor Trust Assets will be accomplished through operation of the Plan Trust and Unsecured Creditor Trust, respectively. The general purpose of each trust is to provide a mechanism for the disposition of the Plan Trust

Assets and Unsecured Trust Assets, and to distribute the proceeds of such assets, net of all expenses, charges, liabilities, and obligations of the Plan Trust or Unsecured Creditor Trust, to the holders of Beneficial Interests and holders of certain Allowed Claims in accordance with the terms of the Plan. The Plan Trust and the Unsecured Creditor Trust will not conduct or engage in any trade or business activities, other than those associated with or related to the Plan Trust Assets and the Unsecured Creditor Trust Assets, respectively, and the distributions to the Beneficiaries. The Plan Trust and the Unsecured Creditor Trust shall terminate on the earlier of (i) the date that is five (5) years after the date such Trust is created; (ii) payment in full of all Claims to be paid from such trust, including applicable interest, and the completion of any Distributions; or (iii) the distribution of all assets.

B. The Plan Trust

The purposes of the Plan Trust include (i) the prosecution and recovery of Rights of Action; (ii) the liquidation of Plan Trust Assets into Cash; (iii) the payment of the Lender Recoveries from Available Cash; (iv) the payment of certain Claims from the Priority Claim Fund; and (v) the payment of Professional Compensation Claims from the Professional Compensation Claim Fund.

In summary, the powers and duties of the Plan Trustee include, but are not limited to, the following:

- marshaling, liquidating, and distributing the Plan Trust Assets in an expeditious and orderly manner;
- performing the functions and taking the actions provided for or permitted by the Plan Trust Agreement and in any other agreement executed by the Plan Trustee pursuant to the Plan;
- prosecuting, settling, or otherwise resolving the Rights of Action transferred and assigned to the Plan Trust under the Plan and to distribute the proceeds of any recoveries thereon; and
- reconciling, objecting to, or settling certain Claims, other than General Unsecured Claims, and other causes of action against the Debtor to determine the appropriate amount of Distributions to be made to the Beneficiaries and certain other creditors under the Plan Trust Agreement.

The Plan Trust shall be managed by the Plan Trustee subject to the terms and conditions of the Plan Trust Agreement. Legal title to all Plan Trust Assets shall be vested in the Plan Trustee, except as otherwise provided for in the Plan Trust Agreement. Subject to the terms and conditions of the Plan Trust Agreement, the Plan Trustee shall have control and authority over the Plan Trust Assets, including all Rights of Action transferred to the Plan Trust under the Plan.

C. The Unsecured Creditor Trust

The purposes of the Unsecured Creditor Trust include (i) the prosecution and recovery of Preference Actions; (ii) the liquidation of Unsecured Creditor Trust Assets into Cash; (iii) the

payment of Allowed Priority Employee Claims from the Cash in the Labor Settlement Account; and (iv) the payment of Allowed General Unsecured Claims from Available Cash in the Unsecured Creditor Account.

In summary, the powers and duties of the Unsecured Creditor Trustee include, but are not limited to, the following:

- marshaling, liquidating, and distributing the Unsecured Creditor Trust Assets in an expeditious and orderly manner;
- performing the functions and taking the actions provided for or permitted by the Unsecured Creditor Trust Agreement and in any other agreement executed by the Unsecured Creditor Trustee pursuant to the Plan;
- reconciling, objecting to, or settling all General Unsecured Claims;
- prosecuting, settling, or otherwise resolving the Preference Actions.

The Unsecured Creditor Trust shall be managed by the Unsecured Creditor Trustee subject to the terms and conditions of the Unsecured Creditor Trust Agreement. Legal title to all Unsecured Creditor Trust Assets shall be vested in the Unsecured Creditor Trustee, except as otherwise provided for in the Unsecured Creditor Trust Agreement. Subject to the terms and conditions of the Unsecured Creditor Trust Agreement, the Unsecured Creditor Trustee shall have control and authority over the Unsecured Creditor Trust Assets, including the Preference Actions transferred to the Unsecured Creditor Trust under the Plan.

On the Effective Date, the Oversight Committee shall be established to review the activities and performance of and advise the Unsecured Creditor Trustee as set forth in this Unsecured Creditor Trust Agreement. The Oversight Committee will consist of the members of the Committee and one representative designated by Batman. The Oversight Committee shall have the rights, duties and powers set forth in the Unsecured Creditor Trust, including:

- to approve any release or indemnity in favor of any third party granted or agreed to by the Unsecured Creditor Trustee;
- to authorize the Unsecured Creditor Trustee to commence any Preference Action or any objection to General Unsecured Claims;
- to approve the settlement of any Preference Action or objection to General Unsecured Claims and to approve any application by the Unsecured Creditor Trustee for an order in connection with any such settlement;
- to approve the allowance of any Disputed General Unsecured Claim;
- to approve the sale of any Unsecured Creditor Trust Assets by the Unsecured Creditor Trustee and to approve any application by the Unsecured Creditor Trustee for an order in connection with any such sale;

- to review all financial information relating to the Unsecured Creditor Trust, which shall be promptly provided by the Unsecured Creditor Trustee upon request by the Oversight Committee;
- to monitor Distributions to Beneficiaries; and
- to take such other actions as it deems necessary and appropriate with respect to the implementation of the Plan and this Unsecured Creditor Trust Agreement.

D. Tax Treatment of the Plan Trust and the Unsecured Creditor Trust

The Unsecured Creditor Trust established pursuant to the Plan is established for the purpose of satisfying claims by liquidating the Unsecured Creditor Trust Assets transferred to the trust and the trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the trusts. The purpose of the Unsecured Creditor Trust is to provide a mechanism for the liquidation of the Unsecured Creditor Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Unsecured Creditor Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Unsecured Creditor Trust other than those associated with or related to the liquidation of the Unsecured Creditor Trust Assets. It is intended that the Unsecured Creditor Trust be classified for federal income tax purposes as a “liquidating trust” within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties and Beneficiaries shall treat the transfers in trust described herein as transfers to the Beneficiaries for all purposes of the Internal Revenue Code of 1986, as amended (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties and Beneficiaries shall treat the transfers in trust as if all the transferred assets, including all the Unsecured Creditor Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Unsecured Creditor Trust. The Beneficiaries shall be treated for all purposes of the Internal Revenue Code of 1986, as amended, as the grantors of the Unsecured Creditor Trust and the owners of the Unsecured Creditor Trust. The Unsecured Creditor Trustee shall file returns for the Unsecured Creditor Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). All parties, including the Beneficiaries and the Unsecured Creditor Trustee shall value the Unsecured Creditor Trust Assets consistently and such valuations shall be used for all federal income tax purposes.

The Plan Trust established pursuant to the Plan is established for the purpose of satisfying claims by liquidating the Plan Trust Assets transferred to the trust and the trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the trusts. The purpose of the Plan Trust is to provide a mechanism for the liquidation of the Plan Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Plan Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Plan Trust other than those associated with or related to the liquidation of the Plan Trust Assets. It is intended that the Plan Trust be classified for federal income tax purposes as a “liquidating trust” within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties and Beneficiaries shall treat the transfers in trust described herein as

transfers to the Beneficiaries for all purposes of the Internal Revenue Code of 1986, as amended (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties and Beneficiaries shall treat the transfers in trust as if all the transferred assets, including all the Plan Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Plan Trust. The Beneficiaries shall be treated for all purposes of the Internal Revenue Code of 1986, as amended, as the grantors of the Plan Trust and the owners of the Plan Trust. The Plan Trustee shall file returns for the Plan Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). All parties, including the Beneficiaries and the Plan Trustee shall value the Plan Trust Assets consistently and such valuations shall be used for all federal income tax purposes.

E. Consummation of the Purchase Agreement and Issuance of new Equity Interest

On the Effective Date, the Debtor will form a limited liability company pursuant to the terms of the Purchase Agreement with the Buyer. This new limited liability company is referred to as New ATA under the Plan. Ownership of New ATA will be evidenced by the New Membership Interest. Immediately after forming New ATA, the Debtor will transfer the Retained Assets to New ATA so that New ATA holds the Retained Assets. Finally, on the Effective Date, the Debtor will convey and sell the New Membership Interest to Buyer in exchange for the purchase price under the Purchase Agreement. Buyer will pay the purchase to the Debtor as required by the Purchase Agreement, any Executory Contracts identified on the Schedule of Assumed Executory Contracts will be assumed and assigned to New ATA pursuant to the Plan and the other transactions contemplated by the Purchase Agreement will be consummated on the Effective Date. The purchase price paid by the Buyer to the Debtor will constitute a Plan Trust Asset and will be distributed to creditors as required by the Plan and Plan Trust Agreement.

On the Effective Date, the prior ownership interest in the Debtor (called the Equity Interest under the Plan) will be cancelled and holders of such Equity Interest will receive no Distribution under the Plan. In place of the canceled Equity Interest, the Debtor will issue the New Equity Interest to the Plan Trustee under the Plan. The Plan Trust will be the sole owner of the Debtor after the Effective Date and will hold the New Equity Interest for the benefit of the Beneficiaries of the Plan Trust.

In the event the Purchase Agreement is not consummated on the Effective Date, New ATA will not be formed and the Retained Assets will remain in the Debtor. In such case, the prior Equity Interest will still be canceled and the New Equity Interest will be issued to the Plan Trustee.

F. Selection of Plan Trustee and Unsecured Creditor Trustee

On or before the Voting Deadline, the Debtor and the Administrative Agent shall nominate a candidate to serve as Plan Trustee under the Plan Trust and shall file with the Bankruptcy Court a disclosure identifying and setting forth the terms of the fee arrangement with such candidate. At the Confirmation Hearing, the Court shall approve such candidate for Plan

Trustee and the fee arrangement and such candidate shall thereafter serve as Plan Trustee upon execution of the Plan Trust Agreement at Closing.

On or before the Voting Deadline, the Committee, the Unions, and Batman shall jointly nominate a candidate to serve as Unsecured Creditor Trustee and shall file with the Bankruptcy Court a disclosure identifying and setting forth the terms of the fee arrangement with such candidate. In the event the nomination is not made by the Committee, the Unions and Batman by the Voting Deadline, then the Debtor may make such nomination independently. At the Confirmation Hearing, the Court shall approve such candidate for Unsecured Creditor Trustee and the fee arrangement and such candidate shall thereafter serve as Unsecured Creditor Trustee on the Effective Date.

G. Beneficial Interests

The Plan Trustee or Unsecured Creditor Trustee shall issue Beneficial Interests to holders of Allowed Claims. The Beneficial Interests shall be uncertificated, but shall be represented by appropriate book entries in the Plan Trust or Unsecured Creditor Trust (whichever is appropriate) register. The Plan Trustee or the Unsecured Creditor Trustee may deem and treat the Beneficiary of record as the absolute owner of a Beneficial Interest for the purpose of receiving Distributions and for all other purposes whatsoever.

The Unsecured Creditor Trustee shall allocate, as of the Effective Date, (a) to Employees holding Class 1.1 Allowed Priority Employee Claims, a Class 1.1 Beneficial Interest in the Unsecured Creditor Trust equal in amount to the Allowed Priority Employee Claim; (b) to Employees holding Allowed Class 4 General Unsecured Claims, a Class 4 Beneficial Interest in the Unsecured Creditor Trust equal in amount to the Employee's Allowed General Unsecured Claim; and (c) to Creditors holding Allowed General Unsecured Claims, a Class 4 Beneficial Interest in the Unsecured Creditor Trust equal in amount to such Creditor's Allowed General Unsecured Claim.

The Plan Trustee shall allocate, as of the Effective Date, to the Administrative Agent, the Class 3.1 Beneficial Interest.

H. Distribution to Beneficiaries

Subject to establishing the funds and reserves required under the Plan and the terms and conditions of the Plan Trust Agreement and the Unsecured Creditor Trust Agreement, the Plan Trustee and the Unsecured Creditor Trustee shall make Distributions at least annually and at such time or times as each of the Plan Trustee and Unsecured Creditor Trustee believes there is sufficient Available Cash to warrant a Distribution.

I. The Closing

A Closing of the transactions required under the Plan shall take place on the Closing Date at the offices of Haynes and Boone, LLP, 1221 Avenue of the Americas, 26th Floor, New York, NY 10020, or at such other place identified in a notice provided to those parties listed in section 14.2 of the Plan. The Debtor may reschedule the Closing by making an announcement at the

originally scheduled Closing of the new date for the Closing. A notice of the rescheduled Closing shall be filed with the Bankruptcy Court and served on the parties identified in section 14.2 of the Plan within two (2) days after the originally scheduled Closing. The transactions to occur at Closing include:

- execution of the Purchase Agreement, payment by the Buyer of the purchase price under the Purchase Agreement, and issuance of the New Membership Interest to the Buyer;
- execution of the Plan Trust Agreement and the Unsecured Creditor Trust Agreement;
- transfer of the Plan Trust Assets and Unsecured Creditor Trust Assets to the Plan Trust and the Unsecured Creditor Trust, respectively;
- establishment of a segregated, interest bearing account by the Plan Trustee, in which shall be deposited all Plan Trust Assets constituting Cash and Cash proceeds from Plan Trust Assets;
- establishment by the Unsecured Creditor Trustee of (i) a segregated interest bearing account call the Labor Settlement Account into which shall be deposited the Labor Settlement Fund and (ii) a segregated interest bearing account called the Unsecured Creditor Account into which shall be deposited the Unsecured Settlement Fund;
- establishment out of Plan Trust Assets by the Plan Trustee of the Priority Claims Fund, the Plan Trust Operating Reserve, and the Professional Compensation Claim Fund;
- delivery by the Debtor of documents reasonably contemplated by the Plan;
- authorization provided to the Plan Trustee (or respective designee of the Debtor) to execute any documents after the Confirmation Date or at Closing, necessary to consummate the Plan;
- amendment, consistent with the Plan, of article of incorporation and bylaws; and
- surrender on the Effective Date to the Plan Trustee or the Unsecured Creditor Trustee, as applicable, of any Claimholders holding a certificate or instrument evidencing a Claim against the Debtor or Estate Property if such holder's Claim is treated under the Plan.

J. Section 1145 Determination

Confirmation of the Plan shall constitute a determination, in accordance with section 1145 of the Bankruptcy Code, that except with respect to an entity that is an underwriter as defined in section 1145(b) of the Bankruptcy Code, section 5 of the Securities Act of 1933 and any State or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, broker or dealer in, a security do not apply to the offer, sale, or issuance of any securities under the Plan of the New Equity Interest, the New Membership Interest, the Plan Trust Assets, the Unsecured Creditor Trust Assets, or the Beneficial Interests in exchange for Claims against, the Debtor.

K. Termination of the Committee

The appointment and operation of the Committee shall terminate on the Closing Date. The dissolution or termination of the Committee shall not prejudice the rights of any agents of the Committee (including their Professionals and Committee members) to pursue their separate Claims for compensation and reimbursement of expenses, including Professional Compensation Claims under Bankruptcy Code sections 330, 331, and/or 503(b)(3)(F).

L. Settlement and Compromise

Pursuant to section 1123(b)(3) of the Bankruptcy Code, the Plan incorporates a compromise and settlement, and (to the extent necessary) constitutes a motion under Bankruptcy Rule 9019 to approve the Global Settlement.

M. Discharge of the Debtor

Except as provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Equity Interests under the Plan are in exchange for and in complete satisfaction, discharge, and release of, all Claims against the Debtor or Estate Property (including the Retained Assets, the Plan Trust Assets and the Unsecured Creditor Trust Assets) and termination of all Equity Interests. Except as provided in the Plan or the Confirmation Order, on the Effective Date: (a) the Debtor, Reorganized Debtor and New ATA shall be discharged from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (i) a proof of claim based on such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (ii) a Claim based on such debt is Allowed under section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) all Equity Interests and other rights of Equity Interests in the Debtor shall be terminated, except for the New Equity Interest as expressly provided in the Plan. Except as otherwise provided in the Plan, the Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtor arising before the Effective Date. Pursuant to Bankruptcy Code section 524, the discharge granted under this section shall avoid any judgment against the Debtor at any time obtained (to the extent it relates to a discharged Claim), and operates as an injunction against the prosecution of any action against the Debtor, Estate Property, the Reorganized Debtor, the Retained Assets and the Plan Trust Assets and the Unsecured Creditor Trust Assets (to the extent such action related to a discharged claim).

N. Injunction

Except as provided in the Plan, the Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Equity Interest, or other right of an equity security holder that is terminated under the Plan are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts, liabilities, or terminated Equity Interests or rights against of affecting the Debtor, the Reorganized Debtor, New ATA, the Estate, the Estate Property, the Plan Trust Assets, the Unsecured Creditor Trust Assets and the Retained Assets: (a) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or

other proceeding of any kind against the Debtor, its Estate, the Estate Property, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor and New ATA (including, all suits, actions, and proceedings that are pending on the Effective Date, which shall be deemed withdrawn and dismissed with prejudice); (b) enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree, or order against the Debtor, the Reorganized Debtor, New ATA, the Plan Trust, the Unsecured Creditor Trust, and their respective property, including without limitation, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets and the Estate Property; (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtor, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor, New ATA, the Plan Trust Assets, the Unsecured Creditor Trust Assets the Retained Assets and the Estate Property; (d) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtor, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor, New ATA, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets and the Estate Property; and (e) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

On and after the Effective Date, all Derivative Litigation Claims, except as otherwise released under the Plan, regardless of whether pending on the Petition Date, shall become a Plan Trust Asset. All named plaintiffs (including certified and uncertified classes of plaintiffs) in any actions pending on the Effective Date relating to any Derivative Litigation Claims and their respective servants, agents, attorneys, and representatives shall, on and after the Effective Date, be permanently enjoined, stayed, and restrained from pursuing or prosecuting any Derivative Litigation Claim. Nothing in the Plan or herein shall impair claims or causes of action that any Person may have directly (as opposed to derivatively) against any other Person.

O. Releases

The Plan contemplates various releases and exculpations required under the Global Settlement. For the Global Settlement to be viable, the parties negotiated various releases and exculpations to finally resolve all issues among the parties. The terms of these releases and exculpations are set forth below along with a discussion and rationale for such release and exculpation.

1. Employee Claim Release

Except as otherwise provided for in the Plan, on the Effective Date, the Debtor, the Affiliates, each of the Lenders, the Administrative Agent, and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals shall be released from all Employee Claims and any other Claims that have been or could have been asserted by the Unions and Batman in the WARN Adversaries. The foregoing release shall not be deemed to release any claims of the Unions or Batman with respect to employee medical Claims under applicable plans, payment for which has been previously authorized by the Bankruptcy Court, and any issues concerning the flexible spending account against parties other than each of the Lenders, the Administrative Agent, ATA, the Affiliates, and

their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals.

In this release, various labor groups, including the Unions and Batman on behalf of the Employees they represent, are releasing the Debtor, the Affiliates, the Lenders, the Administrative Agent, and a number of related parties from all Employee Claims and Claims asserted in the WARN Adversaries. The release, however, does not release any Claims of the Unions and Batman concerning employee medical claims for which payment has been previously authorized by the Bankruptcy Court and any issues relating to flexible spending accounts against parties other than those being specifically released. This release is one of the cornerstones of the Global Settlement and resolves the Claims asserted in the WARN Adversaries and other Employee Claims in exchange for the consideration and value provided and to be paid to Employees under the Global Settlement.

2. Lender Release

Except as otherwise provided for in the Plan, on the Effective Date, the Debtor, the Administrative Agent, and the Lenders shall release each other, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals (such parties in the case of the Debtor, the "Debtor Related Parties") (and, in the case of each of the Lenders and the as Administrative Agent, their respective shareholders, members, managers, partners (limited or general), principals, and affiliates) from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case (including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the Term Loan Agreement and related loan documents, including any such claims or causes of action that any holder of a Claim or Equity Interest would have been legally entitled to assert on behalf of the Debtor or its bankruptcy estate; provided, however, the foregoing releases shall not operate as a waiver or release of (a) the Lender Claims and Lender Recoveries; (b) any claims, rights, or causes of action of the Lenders and/or the Administrative Agent, against any of the Affiliates or any other Released Party (as defined below, but excluding the Debtor and the Debtor Related Parties constituting a Released Party, subject to preservation of the Lender Claims and Lender Recoveries as provided above in subclause (a)) under the Term Loan Agreement and related loan documents or otherwise; or (c) any claims, rights, or causes of action of any Affiliate against the Administrative Agent, the Lenders, and each of their respective officers, directors, employees, insurers, attorneys, advisors, professionals, shareholders, members, managers, partners (limited or general) principals, and affiliates under the Term Loan Agreement and related loan documents or otherwise.

In this release, the Debtor on the one hand and the Lenders and the Administrative Agent on the other hand are releasing each other and a number of related parties from any claims they

may have against each other. This release is also required under the Global Settlement and is essential to the Plan because any Deficiency Claim of the Lenders is released and waived. This release allows the Distribution to General Unsecured Creditors to be more meaningful because the Lenders' significant Deficiency Claims will not otherwise dilute Distributions to General Unsecured Creditors. This release, however, does not release any Lender Recoveries that the Lenders are entitled to receive under the Plan and does not release any Claims the Lenders and Affiliates may have against each other under the Term Loan Agreement or otherwise.

3. Affiliate Release

Except as otherwise provided for in the Plan, on the Effective Date, the Debtor and the Affiliates shall release each other, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals, including in each such person's capacity as an officer, director, employee, insurer, attorney, advisor, or professional of or to ATA (and, in the case of each of the Affiliates their respective shareholders, members, managers, partners (limited or general), principals, and affiliates), and any entity claimed to be liable derivatively through any of the foregoing parties (each such party, a "Released Party") from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case (including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the ownership, management, and operation of the Debtor, including any such claims or causes of action that any holder of a Claim or Equity Interest would have been legally entitled to assert on behalf of the Debtor or its bankruptcy estate; provided, however, the foregoing release shall not operate as a waiver or release of (a) the Allowed Other Secured Claim granted to GAL under section 11.4 of the Plan; (b) the Affiliate Avoidance Actions to be controlled by the Lenders; (c) any claims, rights or causes of action of the Lenders and/or the Administrative Agent, against any of the Affiliates or any other Released Party (excluding the Debtor and the Debtor Related Parties constituting a Released Party, subject to preservation of the Lender Claims and Lender Recoveries as provided above) under the Term Loan Agreement and related loan documents or otherwise; or (d) any claims, rights, or causes of action of any Affiliate against the Administrative Agent, and the Lenders, and each of their respective officers, directors, employees, insurers, attorneys, advisors, professionals, shareholders, members, managers, partners (limited or general), principals, and affiliates under the Term Loan Agreement and related loan documents or otherwise.

In this release, the Debtor on one hand and the Affiliates on the other hand are releasing each other and a number of related parties from any claims they may against each other. This release is required under the Global Settlement and is essential to the Plan because any Claims of the Affiliates are released and waived. This release also allows the Distribution to General Unsecured Creditors to be more meaningful because the Affiliates have asserted significant Claims of approximately \$272 million against the Debtor that would otherwise dilute distributions to General Unsecured Creditors. Implementation of this release will enhance

Distributions to Unsecured Creditors and is a significant concession made by the Affiliates to allow for this enhancement. This release, however, does not release the Allowed Other Secured Claim granted to GAL pursuant to section 11.4 of the Plan, the Affiliate Avoidance Actions that are transferred to the Plan Trust and any claims the Lenders and Affiliates may have against each other under the Term Loan Agreement or otherwise.

4. Officer and Director Release

Except as otherwise provided for in the Plan, on the Effective Date, each of (i) the Debtor; (ii) the Administrative Agent, and the Lenders; (iii) the Affiliates; and (iv) the Committee, as applicable, shall be deemed to have released the Debtor's officers and directors (solely in their respective capacities as officers and directors of the Debtor) and their professionals, from any and all claims, causes of actions, and other liabilities accruing on or before the Effective Date, and arising from or relating to any actions taken or not taken in connection with the decision to file bankruptcy on behalf of the Debtor, the shutdown of the Debtor's operations, the winddown and operation of the Debtor during chapter 11, the administration of the Bankruptcy Case, the negotiation and implementation of the Settlement and the Plan, confirmation of the Plan, consummation of the Plan (including all distributions thereunder), the administration of the Plan, and the property to be distributed under the Plan.

In this release, the Debtor, the Administrative Agent, the Lenders, the Affiliates and the Committee are releasing the Debtor's officers and directors, (but solely in their capacity as officers and directors of the Debtor) and a number of related parties from any and all Claims relating to any actions taken and not taken in connection with various decisions related to the bankruptcy filing, administration of the Bankruptcy Case, negotiation of the Global Settlement and the Plan and Distributions to be made under the Plan. This release is also required by the Global Settlement and is typical and customary for transactions of this type and scope. The Debtor's officers and directors worked diligently to negotiate and complete the Global Settlement that will provide a Distribution to various Creditor groups under the Plan and that would otherwise not be available without the efforts of the officers and directors and their leadership in the settlement process and the administration of the Bankruptcy Case.

5. Creditor Release

Except as otherwise provided for in the Plan, effective on the Effective Date, each holder of a Claim who is not (a) a Lender, (b) GAL, or (c) any of GAL's subsidiaries who votes in favor of the Plan or accepts a distribution under the Plan shall be conclusively presumed to have released GAL and its subsidiaries (other than the Debtor), the Administrative Agent, and the Lenders, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case

(including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the ownership, management, and operation of the Debtor; provided, however, such release shall not operate as a waiver or release of any such claims or causes of action related to or arising under any guaranty made by GAL or any of its subsidiaries.

This release is similar to an exculpation by providing that any Creditor (other than the Lenders, GAL, or any subsidiary of GAL) who votes in favor of the Plan or receives a Distribution under the Plan, is deemed to have released GAL and its subsidiaries (other than the Debtor), the Lenders and the Administrative Agent and various related parties from any Claims relating to the Debtor, the Bankruptcy Case or ownership, management and operation of the Debtor. This release, however, does not release any Claims relating to any guaranty made by GAL or any of its subsidiaries to any Creditor. The Debtor believes this release is appropriate for a number of reasons. First and most significant, the parties receiving the release are limited to those parties who have contributed a considerable benefit and critical element to the Global Settlement. Specifically, the Lenders are funding the Plan with over \$16 million in Cash from their Cash Collateral. Without this contribution of Cash there would be no Global Settlement and it is very unlikely that any General Unsecured Creditor would receive any Distribution in the Bankruptcy Case. In addition, the Lenders are waiving their Deficiency Claim. The Debtor estimates that the Lender Deficiency Claim is in the range of approximately \$300 million. The waiver of this Deficiency Claim will allow Creditors to receive a much larger Distribution under the Plan because the Distribution will not be diluted by this large Deficiency Claim. Moreover, the Lenders have contributed significantly to the Bankruptcy Case prior to the negotiation of the Global Settlement by allowing their Cash Collateral to be used to fund costs of administration, certain priority employee claims, health and medical claims incurred before the Bankruptcy Case and COBRA benefits. As to GAL and its subsidiaries, they also have made meaningful and essential contributions to the Global Settlement and the Bankruptcy Case. Specifically, the labor parties to the Global Settlement conditioned their agreement to the settlement upon the waiver of Claims asserted by GAL and its subsidiaries against the Debtor. These Claims total approximately \$272 million. The waiver of these Claims also will allow Creditors to receive a much larger Distribution under the Plan because the Distribution will not be diluted by the large Claims of GAL and its subsidiaries. Finally, as part of the Global Settlement, the labor groups conditioned their participation in the settlement upon GAL's agreement to provide a preferential hiring program. GAL ultimately agreed to implement this preferential hiring program for the benefit of certain unionized employees. As a result, the preferential hiring program is an additional benefit conferred by GAL in the overall Global Settlement. In exchange for providing Cash, the waiver of Claims and the preferential hiring program described above, the Lenders, the Administrative Agent and GAL and its subsidiaries (other than the Debtor) have requested a release of Claims from any Creditor who receives a Distribution under the Plan or otherwise votes for the Plan. In sum, the Debtor believes this release of Claims is appropriate because without the contributions made by these parties, there would be no available Distributions to General Unsecured Creditors.

6. Exculpation

On the Effective Date, each of (i) the Debtor and its respective officers and directors (solely in their respective capacities as officers and directors of the Debtor); (ii) the Debtor's attorneys, advisors and other professionals; (iii) the Administrative Agent, the

Lenders and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives and professionals; (iv) the Affiliates and any of their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals; (v) the Unions and their attorneys; and (vi) the Committee and its members, attorneys, advisors and other professionals shall have no liability to any holder of a Claim or Equity Interest or to any other person for any action taken or not taken in connection with the decision to file a bankruptcy petition on behalf of the Debtor, the shutdown of the Debtor's operations, the winddown and operation of the Debtor during chapter 11, the administration of the Bankruptcy Case, the negotiation and implementation of the Global Settlement and the Plan, confirmation of the Plan, consummation of the Plan (including all Distributions hereunder), the administration of the Plan, and the property to be distributed under the Plan (except as to rights, obligations, duties, and Claims established under the Plan). In all such instances, such parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Bankruptcy Case and under the Plan. Any and all Claims, causes of actions, rights, or any liabilities described above held by any person or party in interest against the foregoing parties listed in subsections (i)-(vi) above are fully waived, barred, released, and discharged in all respects (except as to rights, obligations, duties, and claims established under the Plan). Nothing contained in this section shall operate as a release, waiver, or discharge of any Claim, cause of action, right, or other liability against members of the Committee in any capacity other than as a member of the Committee.

In this exculpation, the Debtor, the Lenders and the Administrative Agent, the Affiliates, the Unions and the Committee and various related parties are deemed to have no liability to any holder of a Claim or Equity Interest for any actions taken and not taken in connection with various decisions related to the bankruptcy filing, administration of the Bankruptcy Case, negotiation of the Global Settlement and the Plan and Distributions to be made under the Plan. This release is also required by the Global Settlement and is typical and customary for transactions of this type and scope. The parties receiving the exculpation have also worked diligently to negotiate and complete the Global Settlement that will provide a distribution to various Creditors under the Plan. This Distribution would otherwise not be available without the efforts of these parties and their role in the settlement process and the administration of the Bankruptcy Case. The exculpation is limited to actions taken or not taken in connection with the Bankruptcy Case as described above.

P. Continuing Obligations of the Reorganized Debtor

Notwithstanding anything to the contrary in the Plan, the Reorganized Debtor shall have no continuing obligations or duties after the Effective Date to the Plan Trustee or the Unsecured Creditor Trustee and with respect to any actions to be taken or consummated under the Plan unless otherwise required under the Purchase Agreement

Q. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court retains such jurisdiction over the Bankruptcy Case after the Effective Date as is legally permissible including, without limitation, jurisdiction to:

- ensure that the Plan is fully consummated and implemented;
- enter such orders that may be necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;
- consider any modification of the Plan under Bankruptcy Code section 1127;
- hear and determine all Claims, controversies, suits, and disputes against the Debtor to the full extent permitted under 28 U.S.C. section 157 and section 1334;
- allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any and all objections to the allowance or priority of Claims;
- hear, determine, and adjudicate any litigation involving the Rights of Action and Avoidance Actions or other claims or causes of action constituting Estate Property;
- decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any motions or applications involving the Debtor that are pending on or commenced after the Effective Date;
- resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan, or any entity's obligations incurred in connection with the Plan, or any other agreements governing, instruments evidencing, or documents relating to any of the foregoing, including the interpretation or enforcement of any rights, remedies, or obligations under any of the foregoing;
- hear and determine all controversies, suits, and disputes that may arise out of or in connection with the enforcement of any subordination and similar agreements among Creditors under Bankruptcy Code section 510;
- hear and determine all requests for compensation and/or reimbursement of expenses that may be made for fees and expenses incurred before the Closing Date;
- enforce any Final Order, the Confirmation Order, the final decree, and all injunctions contained in those orders;
- enter an order concluding and terminating the Bankruptcy Case;

- correct any defect, cure any omission, or reconcile any inconsistency in the Plan, or the Confirmation Order, or any other document or instruments created or entered into in connection with the Plan;
- determine all questions and disputes regarding title to the Estate Property;
- classify the Claims of any Claimholders and the treatment of those Claims under the Plan, re-examine Claims that may have been allowed for purposes of voting, and determine objections that may be filed to any Claims;
- take any action described in the Plan involving the Debtor;
- enforce, by injunction or otherwise, the provisions contained in the Plan, the Confirmation Order, any final decree, and any Final Order that provides for the adjudication of any issue by the Bankruptcy Court;
- enter and implement such orders that are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- hear, determine and adjudicate any motions, contested or litigated motions brought pursuant to Bankruptcy Code section 1112; and
- enter a final decree as contemplated by Bankruptcy Rule 3022;
- hear, determine and adjudicate any and all Claims brought by the Plan Trustee and the Unsecured Creditor Trustee.

R. Defects, Omissions and Amendment of the Plan

The Debtor may, with the approval of the Bankruptcy Court and without notice to holders of Claims, insofar as it does not materially and adversely affect holders of Claims, correct any defect, omission, or inconsistency in the Plan in such a manner and to such extent necessary or desirable to expedite the execution of the Plan. The Debtor may, with the consent of JPMorgan, the Committee, the Unions and Batman, propose amendments or alterations to the Plan before the Confirmation Hearing as provided in Bankruptcy Code section 1127 if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123 and the Debtor have complied with Bankruptcy Code section 1125. The Debtor may, with the consent of JPMorgan, the Unsecured Creditor Trustee and the Plan Trustee, propose amendments or alterations to the Plan after the Confirmation Date but prior to substantial consummation, in a manner that, in the opinion of the Bankruptcy Court, does not materially and adversely affect holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123, the Debtor have complied with Bankruptcy Code section 1125, and after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy Code section 1129.

ARTICLE XII. ALTERNATIVES TO THE PLAN

A. Chapter 7 Liquidation

A straight liquidation bankruptcy or “chapter 7 case” requires liquidation of the Debtor’s assets by an impartial trustee. In a chapter 7 case, the amount holders of General Unsecured Claims would receive depends upon the net estate available after all assets of Debtor have been reduced to cash. The cash realized from liquidation of each of the Debtor’s assets would be distributed in accordance with the order of distribution prescribed in section 507 of the Bankruptcy Code. Whether a bankruptcy case is one under chapter 7 or chapter 11, Secured Claims, Administrative Claims and Priority Claims are entitled to be paid in cash and in full before holders of General Unsecured Claims receive any funds.

If the Bankruptcy Case were converted to one under chapter 7 of the Bankruptcy Code, the present Priority Claims may have a priority lower than Priority Claims generated by the chapter 7 case, such as the chapter 7 trustee’s fee or the fees of attorneys, accountants and other professionals the trustee may engage. Conversion to chapter 7 then would create an additional layer of Priority Claims

In a chapter 7 liquidation case, a fully secured creditor would be entitled to full payment, including interest, from the proceeds of sale of the secured creditor’s collateral, provided the realized value of the collateral is sufficient to pay both the principal and interest. A secured creditor whose collateral is insufficient to pay its Secured Claim in full will be entitled to assert a General Unsecured Claim for its deficiency and share with holders of General Unsecured Claims.

If the Bankruptcy Case were converted to one under chapter 7, the Bankruptcy Court would appoint a trustee to liquidate the assets of ATA and to distribute the proceeds as described immediately above. The chapter 7 trustee would be entitled to receive compensation under section 326 of the Bankruptcy Code. The trustee’s fee on all monies disbursed or turned over in the case by the trustee to parties in interest, excluding the Debtor, but including holders of Secured Claims would not exceed (i) 25% on the first \$5,000 or less, (ii) 10% on any amount in excess of \$5,000 but not in excess of \$50,000, (iii) 5% on any amount in excess of \$50,000 but not in excess of \$1,000,000, and (iv) reasonable compensation not to exceed 3% on any amount in excess of \$1,000,000. The trustee’s fees would be paid as a cost of administration and may be paid in full prior to the costs and expenses incurred in a chapter 11 case and prior to any payment to holders of General Unsecured Claims.

It is also highly likely that the chapter 7 trustee will retain his or her own attorneys and accountants, and perhaps other professionals such as appraisers, whose fees would also constitute Priority Claims in a chapter 7 case, with a priority that may be higher than those claims arising under a chapter 11 case.

Liquidation under chapter 7 of the Bankruptcy Code will also entail the appointment of a trustee having no experience or knowledge of the Debtor’s business, its records or assets. A substantial period of education will be required in order for any chapter 7 trustee to wind the case

up effectively. Also, in the event litigation proves necessary on multiple issues, the chapter 7 trustee would likely be in an inferior position to prosecute such actions without prior knowledge regarding the Debtor's business and without any source of funding to support such efforts.

Annexed hereto as **Exhibit 3** is the Debtor's Liquidation Analysis (the "Liquidation Analysis"). The Liquidation Analysis demonstrates that Creditors will receive a substantially greater Distribution under the Plan than a hypothetical liquidation under chapter 7 of the Bankruptcy Code. The analysis provided is believed to be reasonable and conservative. Readers are urged to review the notes and assumptions contained in **Exhibit 3**.

B. Dismissal

If dismissal of the Bankruptcy Case were to occur, the Debtor would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In the event of dismissal, it is highly unlikely that holders of General Unsecured Claims would receive any amount on their Claims. Dismissal would force a race among Creditors to take over and dispose of the Debtor's available assets. Even the most diligent holders of General Unsecured Claims would likely fail to realize any recovery on their Claims.

C. Alternative Plan

Because the Debtor has filed the Plan and seeks its confirmation during the respective exclusive periods established under the Bankruptcy Code, no other alternative plans can be proposed at this time. Moreover, the Debtor believes that the Plan is in the best interest of Creditors. The Debtor further believes that any alternative plan without the benefit of the Global Settlement would not be viable and would not provide the same recovery to Creditors as that proposed under the current Plan.

ARTICLE XIII. FEASIBILITY AND CERTAIN FACTORS TO BE CONSIDERED

A. Feasibility

The Bankruptcy Code requires the Debtor to demonstrate that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Debtor has prepared a pro forma closing balance sheet (the "Closing Balance Sheet"), and cash flow statements for the Plan Trust (the "Plan Trust Cash Flow") and the Unsecured Creditor Trust (the "Unsecured Creditor Trust Cash Flow", and together with the Closing Balance Sheet and the Plan Trust Cash Flow, the "Financial Statements") from the Effective Date through 2010 (the "Forecast Period"). The Closing Balance Sheet is annexed hereto as **Exhibit 4**, the Plan Trust Cash Flow is annexed hereto as **Exhibit 5A**, and the Unsecured Creditor Trust Cash Flow is annexed hereto as **Exhibit 5B**. Based on the Financial Statements, the Debtor believes that all payments required to be made pursuant to the Plan will occur and therefore, confirmation of the Plan is feasible.

The Financial Statements are based on the assumption that the Plan will be confirmed by the Bankruptcy Court and for forecast purposes, that the Effective Date and the initial Distributions thereunder take place during the first quarter of 2009. Although the forecasts and information are based upon a March 1, 2009 Effective Date, the Debtor believes that an actual Effective Date later in the first quarter of 2009 would not have any material effect on the forecasts.

The Debtor has prepared the Financial Statements based upon certain assumptions which it believes to be reasonable under the circumstances. Those assumptions that are considered to be significant are described in the notes to the Financial Statements. The Financial Statements have not been examined or compiled by independent accountants. The Debtor makes no representation as to the accuracy of the forecasts. Many of the assumptions on which the forecasts are based are subject to significant uncertainties. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the Forecast Period may vary from the forecasted results and the variations may be material. In evaluating the Plan, all holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Financial Statements are based.

B. Certain Factors to be Considered

Creditors should carefully consider the following factors, as well as the other information contained in this Disclosure Statement (as well as the documents delivered herewith or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan.

The principal purpose of the Bankruptcy Case is the formulation of the Plan, which establishes how Claims against and Equity Interests in the Debtor will be satisfied. Under the Plan, certain Claims may receive partial distributions, and other Claims may not receive any distributions at all. Equity Interests will receive no distributions.

1. Failure to Confirm or Consummate the Plan

If the Plan is not confirmed and consummated, it is possible that an alternative plan can be negotiated and presented to the Bankruptcy Court for approval, however, there is no assurance that the alternative plan will be confirmed, that the Bankruptcy Case will not be converted to a liquidation, or that any alternative chapter 11 plan could or would be formulated on terms as favorable to the Creditors as terms of the Plan. Interestholders will receive no recovery under the Plan or in a liquidation. If a liquidation or protracted reorganization were to occur, there is a risk that there would be little, if any, value available for distribution to the Claimholders or Interestholders.

2. Claim Estimates May Be Incorrect

There can be no assurance that the estimated Allowed Claim amounts set forth herein are correct. The actual allowed amounts of Claims may differ from the estimates. The estimated amounts are subject to certain risks. If one or more of these risks or uncertainties materializes, or

if underlying assumptions prove incorrect, the actual allowed amounts of Claims may vary from those estimated herein.

3. Estimate of Preference Recoveries May Be Incorrect

There can be no assurance that the estimated Net Preference Recoveries set forth in Article VI.C herein are correct. The actual Preference Recoveries may substantially differ from the estimates. The estimated amounts are subject to certain risks. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, the actual Net Preference Recoveries may vary from those estimated herein.

4. Estimate of Recovery Related To FedEx Litigation May Be Incorrect

Any type of litigation, by its very nature, is speculative and subject to numerous risks and uncertainties. Accordingly, there can be no assurance that the estimated Net FedEx Recoveries set forth in Article VI.C herein are correct. The actual Net FedEx Recoveries may substantially differ from the estimates. The estimated amounts are subject to certain risks. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, the actual Net FedEx Recoveries may vary from those estimated herein.

5. Buyer LOI May Not Be Consummated

There can be no assurance that the sale transaction contemplated under the Buyer LOI will be consummated. The Buyer LOI is subject to certain terms and conditions, including the obtaining of regulatory approval by the Federal Aviation Administration that all of the Debtor's operating authorizations at LaGuardia Airport can pass to New ATA and that the New Membership Interest can be conveyed to the Buyer without any degradation of such operating authorizations. If any term or condition is not satisfied (unless waived), then the sale transaction under the Buyer LOI may not close. Failure to close the sale transaction would impact the total amount of Cash comprising the Lender Recoveries but would not keep the Plan from closing or going effective.

6. The Global Settlement might not be approved in the Batman Adversary Proceeding

As noted above, the Bankruptcy Court will consider final approval of the Global Settlement in the Batman Adversary Proceeding in conjunction with Plan confirmation. In reviewing the adequacy of a class action settlement, the Court considers whether the proposed settlement is lawful, fair, reasonable, and adequate. *See Isby v. Bayh*, 75 F3d 1191, 1196 (7th Cir. 1996) (citing *E.E.O.C. v. Hiram Walker & Sons, Inc.*, 768 F.2d 884, 889 (7th Cir. 1985)). If the Bankruptcy Court determines that the Global Settlement does not meet the standards for approval under the Federal Rules of Civil Procedure with respect to the Batman settlement class, the Global Settlement will not bind the Batman class. In that scenario, the Global Settlement will fail as to all parties, the Plan cannot be confirmed.

ARTICLE XIV.
CERTAIN UNITED STATES FEDERAL INCOME TAX
CONSEQUENCES OF THE PLAN

A summary description of certain material United States federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal United States federal income tax consequences of the Plan to the Debtor and to holders of Claims who are entitled to vote or to accept or reject the Plan are described below. No rulings or determination of the IRS or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtor or any holder of a Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of the United States federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect).

The following discussion does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the United States federal income tax consequences of the Plan to special classes of taxpayers (e.g., banks and certain other financial institutions, insurance companies, tax-exempt organizations, governmental entities, Persons that are, or hold their Claims through, pass-through entities, Persons whose functional currency is not the United States dollar, foreign Persons, dealers in securities or foreign currency, employees, Persons who received their Claims pursuant to the exercise of an employee stock option or otherwise as compensation and Persons holding Claims that are hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale or conversion transaction). Furthermore, the following discussion does not address United States federal taxes other than income taxes.

Each Claimholder or Interestholder is strongly urged to consult its own tax advisor regarding the United States federal, state, and local and foreign tax consequences of the transactions described herein and in the Plan. The following summary is not a substitute for careful tax planning and advice based on individual circumstances. All Creditors are advised to consult their own tax advisors.

A. United States Federal Income Tax Consequences to the Debtor

Upon implementation of the Plan, the amount of the Debtor's aggregate outstanding indebtedness will be reduced substantially. In general, the discharge of a debt obligation in exchange for an amount of cash and other property having a fair market value (or, if applicable, in the case of a new debt instrument, an "issue price") less than the "adjusted issue price" of the

debt gives rise to cancellation of indebtedness (“COD”) income to the debtor; however, COD income is not taxable to the debtor if the debt discharge occurs in a Title 11 bankruptcy case. Rather, under the Tax Code, such COD income instead will reduce certain of the Debtor’s tax attributes, including net operating losses (“NOLs”) and NOL carryovers, capital loss carryforwards, certain tax credits, and the tax basis of property of the consolidated group (including investments in certain subsidiaries)

B. United States Federal Income Tax Consequences to Claimholders and Interestholder of the Debtor

The United States federal income tax consequences to Claimholders (including the character, timing and amount of income, gain or loss recognized) will depend upon, among other things, (1) whether the Claim and the consideration received in respect thereof are “securities” for the United States federal income tax purposes; (2) the manner in which a Claimholder acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired at a discount; (5) whether the Claimholder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (6) whether the Claimholder has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (7) the Claimholder’s method of tax accounting; and (8) whether the Claim is an installment obligation for United States federal income tax purposes. Therefore, Claimholders should consult their own tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.

For federal income tax purposes, the Debtor, Creditors, and the other parties to the Plan will treat the transfer of the Plan Trust Assets to the Plan Trust and the Unsecured Creditor Trust Assets to the Unsecured Creditor Trust under the Plan as (i) payment in proportion to the value of their Claims against Debtor in payment in full of their Claims against Debtor, followed by (ii) a nontaxable contribution by Creditors of the Plan Trust Assets to the Plan Trust and Unsecured Creditor Trust Assets to the Unsecured Creditor Trust in exchange for Beneficial Interests in the respective Plan Trust and Unsecured Creditor Trust equal in value to the property they contributed.

1. Gain or Loss Recognition on the Satisfaction of Claims

Generally, each Creditor will have gain or loss on receipt from Debtor of its interest in the Plan Trust Assets and Unsecured Creditor Trust Assets equal to the difference (if any) between (i) the “amount realized” on account of its Claim (other than any claim for accrued and unpaid interest), and (ii) its adjusted tax basis in its Claim (other than on account of accrued and unpaid interest).

2. Character of Gain or Loss

In general, the character of any gain or loss recognized by a Creditor as capital or ordinary will depend on whether the Claim constitutes a capital asset in the hands of the Creditor. To the extent a debt instrument is acquired after its original issuance for less than the issue price of such instrument, however, it will have market discount. A holder of a Claim with

market discount must treat any gain recognized on the satisfaction of such Claim as ordinary income to the extent that it does not exceed the market discount that has already been accrued with respect to such Claim.

3. Amounts in Respect of Interest

Generally, to the extent any amount received by a Creditor (whether cash or other property) is received in discharge of a Claim for interest accrued during its holding period, such amount will be taxable to the Creditor as interest income (if not previously included in the Creditor's gross income). A Creditor will recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent any accrued interest claimed was previously included in its gross income and is not paid in full.

4. Information Reporting and Backup Withholding

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the Internal Revenue Service. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Tax Code's backup withholding rules, a United States holder may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or provides a correct United States taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. Person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's United States federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

C. United States Federal Income Tax Consequences With Respect to the Plan Trust and Unsecured Creditor Trust

The Plan Trust and Unsecured Creditor Trust are expected to be taxable as grantor trusts within the meaning of Tax Code section 671, et seq. The Beneficiaries will be treated for all purposes of the Tax Code as the grantors of the Plan Trust and the Unsecured Creditor Trust and the owners of the Plan Trust and the Unsecured Creditor Trust. In general, to the extent the Plan Trust and Unsecured Creditor Trust are taxed as grantor trusts, the income of the Plan Trust and the Unsecured Creditor Trust will be allocated directly to their Beneficiaries and the Beneficiaries will be responsible for payment of all taxes due with respect to the operations of the Plan Trust and the Unsecured Creditor Trust. The Plan Trust Agreement and the Unsecured Creditor Trust Agreement contain provisions intended to reduce or eliminate any taxable income of the Plan Trust and the Unsecured Creditor Trust.

In general, trusts are treated as entities separately taxable from their beneficiaries. The taxable income of a trust is generally computed in the same manner as for an individual with certain exceptions and special rules. However, trusts are allowed certain deductions not

available to individuals, including a deduction for its distributions for any year, but not in excess of the trust's "distributable net income" ("DNI") and subject to various limitations. In general, a trust's DNI is equal to its taxable income computed with certain modifications. These modifications include: (1) no distribution deduction is taken while computing DNI, (2) no personal exemptions are taken, (3) capital gains are not included unless allocated to fiduciary accounting income, or paid, credited, or required to be distributed to a beneficiary, or paid or set aside for charitable purposes, (4) capital losses are not taken into account, except to the extent they reduce the amount of capital gains actually paid or credited to beneficiaries, (5) the exclusion under section 1202 is not taken into account, and (6) tax-exempt interest is included, net of disallowed deductions attributable to such interest. Distributions are generally taxed to the recipient beneficiaries to the extent such distributions are treated as carrying out taxable items of DNI. Distributions in excess of DNI are usually not taxed (unless, for example, throwback rules apply).

The payment by the Plan Trust and Unsecured Creditor Trust to their respective Beneficiaries also may be subject to applicable withholding. For example, under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to backup withholding at a 31% rate. Backup withholding generally applies only if the holder (i) fails to furnish its social security number or other taxpayer identification number ("TIN"); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fails to provide a certified statement signed under penalty of perjury that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including corporations and financial institutions.

D. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIMHOLDERS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

ARTICLE XV. CONCLUSION

This Disclosure Statement provides information regarding the Debtor's bankruptcy and the potential benefits that might accrue to holders of Claims against and interest in the Debtor under the Plan as proposed. The Plan is the result of extensive efforts by the Debtor and its advisors to provide the holders of Allowed Claims with a meaningful dividend. The Debtor

believes that the Plan is feasible and will provide each holder of a Claim against and Equity Interest in the Debtor with an opportunity to receive greater benefits than those that would be received by any other alternative. The Debtor, therefore, urges interested parties to vote in favor of the Plan.

[Signature Page Follows]

Dated: December 12, 2008

ATA AIRLINES, INC.

/s/ Steven S. Turoff
By: Steven S. Turoff
Its: Chief Restructuring Officer