

ATA AIRLINES, INC.
Chapter 7 Liquidation in Lieu of Plan Confirmation

Dollars in Thousands

	Chapter 7	Plan
Assets available:		
Cash and cash equivalents	\$ 55,500	\$ 63,000
Receivables, net	850	1,000
Consignment parts and fuel inventories	1,325	2,650
Retainers	1,050	1,050
Deposits	50	100
Letter of credit cash collateral and surety bonds	250	500
Net Preference Recoveries	3,840	7,335
Net FedEx Recoveries	UNKNOWN	UNKNOWN
	62,865	75,635
Lender Secured Claims	(57,975)	(50,650)
Cash available to satisfy General Unsecured Claims	4,890	24,985
 Chapter 7 Administrative Claims		
Chapter 7 Trustee fees	172	-
Chapter 7 Trustee legal fees and expenses	500	-
Other chapter 7 Administrative Claims	100	-
	772	-
Cash available to satisfy chapter 11 General Unsecured Claims	\$ 4,118	\$ 24,985
 Chapter 11 Priority Unsecured Claims:		
Chapter 11 Administrative Claims	\$ 2,000	1,200
Professional Compensation Claims	1,100	1,100
Priority Employee Claims	28,967	4,000
Priority Unsecured Non-Tax Claims (Customer Deposits)	2,000	1,000
Priority Unsecured Tax Claims	4,000	2,800
	\$ 38,067	\$ 10,100
 General Unsecured Claims:		
Third party claims:		
Claims, including Executory Contract rejection Claims	\$ 600,000	\$ 400,000
Employee Claims (Unsecured portion)	-	20,000
Lender Deficiency Claims	309,125	316,450
Affiliate Claims	271,952	271,952
	\$ 1,181,077	\$ 1,008,402

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	Chapter 7	Plan
Return to Creditors per dollar of claim:		
Lender Claims	15.9%	13.9%
Holders of chapter 7 Administrative Claims	100.0%	N/A
Holders of chapter 11 Administrative Claims	100.0%	100.0%
Holders of Professional Compensation Claims	100.0%	100.0%
Holders of chapter 11 Priority Employee Claims	3.5%	100.0%
Holders of other chapter 11 Priority Unsecured Non-Tax Claims	0.0%	100.0%
Holders of Priority Unsecured Tax Claims	0.0%	100.0%
Holders of chapter 11 General Unsecured Claims:		
Including Lender Deficiency Claims and Affiliate claims	0.0%	N/A
Excluding Lender Deficiency Claims and Affiliate claims	0.0%	1.3%

See Accompanying Notes and Assumptions.

ATA AIRLINES, INC.

Notes and Assumptions

To Chapter 7 Liquidation in Lieu of Plan Confirmation

1. Basis of Presentation

The accompanying Chapter 7 Liquidation in Lieu of Plan Confirmation analysis (the "Liquidation Analysis") compares a hypothetical liquidation scenario under chapter 7 of the Bankruptcy Code with the proposed chapter 11 Plan of the Debtor that incorporates the Global Settlement. The Debtor's Disclosure Statement should be read in conjunction with this Liquidation Analysis and these notes and assumptions. The Liquidation Analysis assumes that by the end of February 2009, the Plan has not been confirmed by the Bankruptcy Court and the Debtor's chapter 11 case is converted to a case under chapter 7 of the Bankruptcy Code and the Debtor's assets are liquidated over a twelve month period, with the cash proceeds therefrom distributed to Creditors in accordance with the priority provisions of the Bankruptcy Code.

The accompanying Liquidation Analysis was prepared assuming that after the transaction with Southwest closes in a chapter 11 context, substantially all of the assets of the Debtor have been disposed of except for the assets being transferred to the Plan Trust. To the extent assets of the Debtor are not disposed of by the Effective Date, as contemplated, such assets will be transferred to the Plan Trust and cash at the Effective Date will be less. Conversely, to the extent assets intended to be transferred to the Plan Trust are disposed of prior to the Effective Date, cash will be greater at the Effective Date.

Capitalized terms not otherwise defined in the Liquidation Analysis and these notes and assumptions shall have the meaning ascribed to them in the Glossary to the Plan.

The primary assumption underlying the Liquidation Analysis is that until the Bankruptcy Case is converted, the management of the Debtor has taken the necessary steps to prepare the Debtor to effectuate the Plan as contemplated in the Disclosure Statement. However, it is assumed that the sale transaction with Southwest and the Global Settlement do not occur since these transactions are subject to a confirmed plan under chapter 11.

2. Assumptions with Respect to Assets.

- a. **Cash and cash equivalents.** Cash and cash equivalents represent the estimated amount of unrestricted Cash existing at the end of February 2009 in the Debtor's bank accounts and investments. The chapter 7 cash is \$7.5 million less than the chapter 11 cash because the chapter 7 analysis assumes the transaction with Southwest, aggregating \$7.5 million, does not occur.
- b. **Receivables, net.** Receivables, net are amounts estimated to be collected after the end of February 2009, including tax refunds, and miscellaneous amounts owed to

the Debtor. Collection of the chapter 7 receivables is estimated at 85% of the face value estimated in the chapter 11 context.

- c. **Consignment parts and fuel inventories.** Sales of consignment parts and fuel inventories in the chapter 7 are estimated at 50% of their estimated value in the chapter 11 context.
- d. **Retainers.** Retainers are funds held by counsels for the Debtor and are estimated to be fully realized either in chapter 7 or chapter 11.
- e. **Deposits.** Collections of deposits in chapter 7 are estimated to be realized at 50% of their face value in the chapter 11 context.
- f. **Letter of credit cash collateral and surety bonds.** Collections of letters of credit, cash collateral and surety bonds in chapter 7 are estimated to be realized at 50% of value in a chapter 11 case.
- g. **Net Preference Recoveries.** Under the Plan and the Global Settlement, the Lenders have agreed to allow some of their Cash Collateral to be used to create the Unsecured Creditor Fund, part of which will be used to initiate the investigation and prosecution of Preference Actions (subject to reimbursement from recoveries). In a chapter 7, no funds from the Lenders' Cash Collateral would be available to initiate this process, and the Chapter 7 Trustee would not be able to engage accountants on a contingency basis to assist in the investigation. Moreover, in a chapter 7, preference recoveries over \$7.5 million are subject to the Lenders' super-priority administrative claim under the Cash Collateral Agreement. The Debtor therefore believes that the preference recoveries would be significantly lower in a chapter 7. Accordingly, the value of Net Preference Recoveries coincides with the low range of estimated recoveries in a chapter 7 and coincides with the mid range of estimated recoveries under chapter 11.
- h. **Net FedEx Recoveries.** Under the Plan, the Lenders have agreed to allow some of their Cash Collateral to be used to fund Plan Trust Operating Expenses, which includes the fees and expenses with respect to prosecuting the FedEx Litigation. In a chapter 7, these funds would not be available to pay these fees and expenses. The estimated value attributable to the pending lawsuit against FedEx is unknown because the FedEx Litigation has just recently commenced and discovery is not yet completed. It is uncertain whether or not a chapter 7 Trustee would have access to unencumbered Cash to pursue the FedEx Litigation, or whether or not the chapter 7 Trustee could retain a law firm to accept the representation on a contingency basis. For all of the foregoing reasons and specifically, for purposes of the Liquidation Analysis, the estimated value for Net FedEx Recoveries is unknown at this time.

3. Assumptions with Respect to the Lender Secured Claims.

In the chapter 7 context, the amount of the Lender Secured Claims is estimated based on the liquidation value of the available assets that secure the Lenders' liens. Accordingly, the total liquidation value of the assets must be reduced by the value of the assets that do not secure the Lenders liens – which are the retainers of \$1,050,000 and the Net Preference Recoveries of \$3,840,000. This yields an amount for the Lender Secured Claims of \$57,975,000 in a chapter 7 context. Under the chapter 11 plan, the analysis is similar, except \$16,600,000 of Cash Collateral is used to fund the Plan and the values for Net Preference Recoveries and the retainers must be deducted from the total asset value to yield \$50,650,000.

4. Assumptions with Respect to Chapter 7 Administrative Expenses.

- a. **Chapter 7 Trustee fees.** Chapter 7 Trustee fees have been estimated based upon the statutory maximum amount in accordance with Section 326(a) of the Bankruptcy Code, assuming that the Lenders foreclose on their liens and recover their Cash Collateral prior to conversion of the case.
- b. **Chapter 7 Trustee legal fees and expenses.** Chapter 7 trustee legal fees and expenses have been estimated assuming all costs and expenses with respect to the pursuit of Preference Actions have been netted against gross recoveries (under “Assets available”) and the only significant legal tasks will be the objections to certain Priority Claims.
- c. **Other chapter 7 Administrative Claims.** Other chapter 7 Administrative Claims have been estimated at \$100,000 to cover unforeseen matters.

5. Chapter 11 Priority Claims.

- a. **Chapter 11 Administrative Claims.** Chapter 11 Administrative Claims have been estimated based upon Administrative Claims filed to date. The Debtor has been paying chapter 11 Administrative Claims in the ordinary course of business and therefore most Administrative Claims are based upon Section 503(b)(9) of the Bankruptcy Code. Under the Plan, the Plan Trustee has or will have access to knowledgeable former employees who can assist in analyzing and resolving Administrative Claims. In a chapter 7, those former employees will no longer be available after conversion. Accordingly, the Debtor estimates that chapter 11 Administrative Claims would be significantly higher in a chapter 7 because the Chapter 7 Trustee's efforts to reduce them would be impaired.
- b. **Professional Compensation Claims.** Professional Compensation Claims have been estimated by the Debtor to cover all professional fees incurred and unpaid by the end of February 2009 and are identical under chapter 7 or under chapter 11.
- c. **Priority Employee Claims.** Priority Employee Claims under the Plan reflect the Global Settlement that becomes effective under the Plan. In a chapter 7, the Global

Settlement does not become effective and labor groups are free to pursue their WARN Act claims against the Debtor. It was estimated by the Debtor that substantial defense costs would be incurred to defend WARN Act claims and object to the other Employee Claims and it is uncertain whether a chapter 7 trustee would incur the costs to defend such claims. Therefore, the total potential estimated WARN Act claims have been included in chapter 11 Priority Claims under chapter 7.

- d. **Priority Unsecured Non-Tax Claims (Customer Deposits).** Priority Unsecured Non-Tax Claims (Customer Deposits) have been estimated based upon Section 507(a)(7) of the Bankruptcy Code and represent the Debtor's estimate of claims of individuals, to the extent of \$2,425.00, arising from the purchase of airline tickets before the commencement of the case, for the personal or household use of such individuals in connection with cancelled flights. The Debtor has made its estimate based upon claims that have been filed. Under chapter 7, it is estimated that there likely would not be a distribution to holders of these priority claims and therefore the chapter 7 trustee likely would not object to these proofs of claim.
- e. **Priority Unsecured Tax Claims.** Priority Unsecured Tax Claims have been estimated based upon Section 507(a)(8) of the Bankruptcy Code and represent Unsecured Claims of governmental units. The Debtor has made its estimate based upon Claims that have been filed. Under chapter 7, it is estimated that there likely would not be a distribution to holders of these Priority Claims and therefore the chapter 7 trustee likely would not object to these proofs of claim.

6. General Unsecured Claims.

- a. **Claims, including Executory Contracts rejection claims.** Executory Contracts rejection Claims have been estimated by the Debtor based upon Claims filed to date, and the Debtor's independent calculation of aircraft lease rejection claims, net of mitigation, under the Plan. Under chapter 7, it is estimated that there likely would not be a distribution to holders of General Unsecured Claims and therefore the chapter 7 trustee likely would not object to these proofs of claim.
- b. **Employee Claims.** These claims have been estimated under the Plan in accordance with the Global Settlement. The Global Settlement provides that the portion of the Employee Claims that remain unpaid after application of the \$4 million Labor Settlement Fund, 7.5% of Net FedEx Recoveries and 50% of Net Preference Recoveries are treated as General Unsecured Claims. Under chapter 7, it is estimated that there likely would not be a distribution to holders of Employee Claims and therefore no objections would be made to Employee Claims, which are assumed to be filed as Priority Claims.
- c. **Lender Deficiency Claims.** The Lender Deficiency Claims have been estimated by adding the Deficiency Claims included on Schedule D of the Schedule of Assets and Liabilities (\$2.1 million), to the total Lender Claims of \$365 million, less the amount of the Lenders' liens.

- d. **Affiliate Claims.** The amount of Affiliate Claims has been estimated by the Debtor based upon the amounts included in the Debtor's books and records at the time the Schedule of Assets and Liabilities were filed. Under the Plan, holders of Affiliate Claims do not receive a distribution. Under chapter 7, it is estimated that there would not be a distribution to holders of Affiliate Claims.