IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re:	)	Chapter 11
	)	
ATA Holdings Corp., et al.,[1]	)	Case No. 04-19866
	)	(Jointly Administered)
Debtors.	)	

FIRST AMENDED
DISCLOSURE STATEMENT WITH RESPECT TO THE FIRST AMENDED PLAN OF LIQUIDATION OF C8 AIRLINES, INC. F/K/A CHICAGO EXPRESS AIRLINES, INC.

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Indianapolis, Indiana

[1] The Debtors are the following entities: ATA Holdings Corp. (04-19866), ATA Airlines, Inc. (04-19868), Ambassadair Travel Club, Inc. (04-19869), ATA Leisure Corp. (04-19870), Amber Travel, Inc. (04-19871), American Trans Air Execujet, Inc. (04-19872), ATA Cargo, Inc. (04-19873), and C8 Airlines, Inc. f/k/a Chicago Express Airlines, Inc. (04-19874).

EXHIBITS

I. Introduction and Disclaimer

C8 Airlines, Inc. f/k/a Chicago Express Airlines, Inc. (the "Debtor"), submits this Disclosure Statement ("Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code, for use in the solicitation of votes on the Chapter 11 Plan For C8 Airlines, Inc. f/k/a Chicago Express Airlines, Inc. (the "Plan"), proposed by the Debtor and filed with the United States Bankruptcy Court for the Southern District of Indiana contemporaneously with the filing of this Disclosure Statement. A copy of the Plan is annexed as "Exhibit 1" hereto. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims against and Interests in the Debtor must follow for their votes to be counted. All capitalized terms not defined in this Disclosure Statement shall have the meanings ascribed to such terms in the Plan.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR'S MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS FOR THE PURPOSE OF SOLICITING ACCEPTANCES OF THE DEBTOR'S PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY MAKE ANY REPRESENTATIONS, OTHER THAN THE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN. ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETIES BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NONBANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES

TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OF OR CLAIMS AGAINST THE DEBTOR IN THESE CASES SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE OF THIS DISCLOSURE STATEMENT AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR INTERESTS IN THE DEBTOR.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND BECOMES EFFECTIVE, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE WHO REJECTED OR WHO ARE DEEMED TO HAVE REJECTED THE PLAN AND THOSE WHO DID NOT SUBMIT BALLOTS TO ACCEPT THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN

THE PLAN IS A LIQUIDATING PLAN THAT PROVIDES FOR A DISTRIBUTION TO CREDITORS THAT IS AT LEAST AS IF NOT MORE FAVORABLE THAN A LIQUIDATION UNDER CHAPTER 7 OF THE BANKRUPTCY CODE, BUT AVOIDS THE COMMISSION TO WHICH A CHAPTER 7 TRUSTEE WOULD BE ENTITLED.

THE PLAN PROVIDES FOR A DISTRIBUTION TO UNSECURED CREDITORS WHEN THERE WOULD NOT BE ONE IN A CHAPTER 7 LIQUIDATION OF THE DEBTOR.

II. GENERAL INFORMATION

A. Definitions and Clarifications

Unless stated otherwise, terms which are defined in Article I of the Plan and are not otherwise defined in this Disclosure Statement shall have the meanings ascribed to them in Article I of the Plan.

Indianapolis, Indiana is currently in the Eastern Standard Time Zone and does not observe Daylight Savings Time. Currently scheduled to begin April 1, 2006, Indianapolis, Indiana will observe Daylight Savings Time in the Eastern Time Zone. All times referenced herein shall be the prevailing time in Indianapolis, Indiana, unless otherwise noted.

B. Purpose and Disclaimer

The information contained in this Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan. No person is authorized to provide any information or make any representations, other than the information and representations contained in this Disclosure Statement, regarding the Plan or the solicitation of acceptances of the Plan.

All holders of Claims and Interests entitled to vote on the Plan are advised and encouraged to read this Disclosure Statement and the Plan in its entirety before voting to accept or reject the Plan. Summaries and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan and the Exhibits annexed to the Plan and to this Disclosure Statement. The statements contained in this Disclosure Statement are made only as of the date hereof, and there can be no assurance that the statements contained herein will continue to be accurate at any time after the date hereof. In the event of any conflict between any description set forth in this Disclosure Statement and the actual terms of the Plan, the terms of the Plan shall govern.

C. Notice To Holders Of Claims And Interests

This Disclosure Statement is being transmitted to certain holders of Claims against and/or equity Interests in the Debtor for the purpose of soliciting votes on the Plan and to others for informational purposes. The purpose of this Disclosure Statement is to provide adequate information to enable the holder of a Claim against or an equity Interest in the Debtor to make a reasonably informed decision with respect to the Plan prior to exercising its right to vote to accept or reject the Plan.

PLEASE MAKE NOTE OF AND ATTEND TO THE FOLLOWING:

- **By order entered _____, 2006, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind and in sufficient and adequate detail to enable such holders of Claims and equity Interests to make an informed judgment with respect to acceptance or rejection of the Plan.**

- **The Bankruptcy Court's approval of this Disclosure Statement does not constitute either a guaranty of the accuracy or completeness of the information contained herein or an endorsement of the Plan by the Bankruptcy Court.**

- **Holders of Claims or equity Interests entitled to vote on the Plan are encouraged to read this Disclosure Statement and its Exhibits carefully and in their entirety before deciding to vote to either accept or reject the Plan. Holders of Claims and equity Interests are further encouraged to review the Plan and Exhibits in their entirety in conjunction with their review of this Disclosure Statement.**

- **No representations concerning the Debtor or the value of its assets have been authorized by the Bankruptcy Court other than as set forth in this Disclosure Statement.**

- **The Debtor is not responsible for any information, representation or inducement made to obtain your acceptance, which is other than, or inconsistent with, information contained herein and in the Plan.**

- **Certain of the information contained in this Disclosure Statement is by its nature forward looking and contains estimates, assumptions, and projections that may be materially different from actual future results.**

- **Except where specifically noted, the financial information contained in this Disclosure Statement and its Exhibits has not been audited by a certified public accounting firm and has not necessarily been prepared in accordance with generally accepted accounting principles.**

- **This Disclosure Statement contains summaries of certain provisions of the Plan, statutory provisions, documents relating to the Plan, events that have or are expected to occur in the Chapter 11 Case, and certain financial information. Although the Debtor believes that the summaries of the Plan and the related documents and statutes are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents or statutory provisions. Factual information contained in this Disclosure Statement has been provided by the Debtor's management, except where otherwise noted. The Debtor does not warrant or represent that the information contained herein, including the financial information, is without any material inaccuracy or omission.**

III. Description of the Debtor and the Chapter 11 Case

A. Background of the Debtor and Overview of Historical Operations

ATA Holdings Corp. ("Holdings"), the parent of ATA Airlines, Inc. ("ATA")[2], acquired all of the stock of the Debtor in 1999 through a merger and acquisition transaction funded by an exchange of Holdings stock and cash totaling approximately $2.3 million and the assumption of approximately $2.1 million in liabilities. At the time of the acquisition, the Debtor's book assets were $1.5 million less than the cash and stock purchase price. In the year prior to its acquisition, the Debtor's tax returns reported negative retained earnings of $2.7 million on a net loss of approximately $250,000.

Subsequent to its acquisition by Holdings, the Debtor functioned as a captive commuter airline for ATA's customers, primarily providing commuter passenger scheduled service between ATA's hub at Chicago Midway International Airport and the cities of Indianapolis, Dayton, Des Moines, Flint, Fort Wayne, Grand Rapids, Madison, Milwaukee, Moline, South Bend, and Toledo.

B. Events and Circumstances Leading to Commencement Of The Chapter 11 Case

At the time of the filing, the Debtor owned no aircraft or property and its airplanes were subleased from ATA. The Debtor did not sell any of its own tickets for its flights nor set its own routes. All tickets for the Debtor's flights were sold by ATA and the Debtor was dependent on revenue generated from ATA's sale of tickets on the Debtor's flights. ATA funded the payment of the Debtor's expenses by wire transfers of cash to the Debtor's bank account.

The accounts and reports of Holdings and its affiliated debtors, including C8, were completed and reported on a consolidated basis. ATA booked revenue to the Debtor, based on a fee per departure basis established by ATA and the Debtor. The "fee for departure" payment was based on an estimate of the Debtor's expenses of flying the flight plus a set profit margin without regard to the "load" on the flight, i.e. the number of paying passengers actually on the flight. The per departure fees were established by the Strategic Planning Section of Holdings and were intended to allow the Debtor to report as a profitable company. If, rather than this fee for departure revenue, ATA had booked revenue to the Debtor on a per ticket sold basis (with the price of the ticket being established based on competitive pricing) the Debtor would not have recorded a profit given its low load factors.

On the Petition Date, ATA, Holdings and several other related entities also filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code and those cases are being jointly administered with the Chapter 11 Case. The filings by ATA and Holdings were

[2] ATA provides scheduled airlines services to major metropolitan markets, Hawaii and other leisure destinations and is one of the largest providers of military and commercial passenger charter services.

precipitated in part by escalating fuel prices, increasing labor costs, increasing aircraft rental costs, large credit card holdbacks and inadequate revenue. The circumstances leading to the commencement of the Chapter 11 cases of ATA and Holdings are described fully in the Disclosure Statement with Respect to the First Amended Joint Chapter 11 Plan for Reorganizing Debtors approved by the Bankruptcy Court on December 14, 2005.

Within 3 months following the filing of its petition, ATA determined from both a cash flow perspective and profitability perspective that it could not continue subsidizing the Debtor's operations by booking revenue to the Debtor on a fee per departure basis while paying all of the Debtor's expenses in cash. On an actual revenue generated versus actual expenses incurred basis, the Debtor was not profitable as part of the ATA organization. The increased cash funding by ATA of the Debtor's operations required that the Debtor be shut down if it could not be sold within a very short time frame. The Debtor, Holdings, and ATA, with notice to and discussion with the ATSB, Southwest, and the Creditors' Committee, began moving quickly to explore a sale of the Debtor's stock or assets, with the understanding that the cash outflows could be tolerated no longer than March 28, 2005.

C. Auction and Sale of the Debtor

In March, 2005, the Bankruptcy Court entered an order approving the Debtor's request to employ Compass Advisors LLC to provide investment banking services in connection with a possible sale of the stock or assets and business of the Debtor. On March 14, 2005, the Debtor filed a motion to establish procedures for the sale of the stock or assets of the Debtor (the "C8 Sale Procedures"). The C8 Sale Procedures were approved by the Bankruptcy Court on March 22, 2005. Pursuant to the C8 Sale Procedures, the Debtor conducted an auction on March 31, 2005 (the "C8 Auction").[3] The Debtor ceased all flight operations on March 28, 2005, and terminated the employment of substantially all of its employees by April 1, 2005. However, certain key employees continued to be employed to retain viability of C8 through the date of the C8 Auction and an expected quick closing of any sale.

Following the C8 Auction, the Debtor selected the bid submitted by Okun Enterprises, Inc. ("Okun") as the highest and best bid. The transaction proposed by Okun (the

[3] At the request of a creditor of C8, and with the consent of the Debtors and the Creditors' Committee, an examiner for the Debtor's Estate was appointed in February, 2005, to conduct a limited examination. The Examiner filed his report on March 18, 2005, as follows: (a) the Debtor guaranteed payment of $481.0 million in pre-petition debt owed by Holdings and/or ATA, the Examiner did not issue a definite finding of whether the Debtor received reasonably equivalent value for all of those surcharges; (b) Under the facts available to the Examiner, the Debtor has a pre-petition receivable from ATA of $17,592,000, the Debtor owes Holdings a pre-petition amount of $1,950,000 and the Debtor owes ATA a post-petition amount of $2,481,000 (calculated as of January 31, 2005, and after the Examiner proposed reclassifying some of the intercompany receivable); and (c) the Examiner recommended that an attempt be made to sell the Debtor as a going concern for more than the estimated $1 million liquidation value, and that the proposed sale and bidding process was sufficient and that no modifications were necessary. The Examiner's role was completed upon the issuance of his written report, whereupon he was discharged. The Examiner's fees and expenses were capped at $75,000 and are rightly expenses of the Debtor's Estate.

"Okun Transaction") contemplated the sale by the Debtor to Okun of substantially all of the operating assets of the Debtor (excluding cash and certain other intangible assets) and the sale by ATA to Okun of two Saab Model 340B aircraft (and their related engines, propellers and documentation) owned by ATA and previously leased by the Debtor and used in its operations (the "Saab Assets"). The Debtor, ATA and Okun entered into a letter of intent for the proposed asset acquisition transaction, and Okun submitted a earnest money deposit of $100,000. The letter of intent established a deadline for Okun to enter into a definitive asset purchase agreement with the Debtor and ATA, and to increase the earnest money deposit to $400,000. On or about April 15, 2005, Okun declined entry into a definitive asset purchase agreement or proceed with the Okun Transaction. Okun did not execute the definitive asset purchase agreement submitted to it by the Debtor and ATA, and did not deposit any additional earnest money. Subsequently the Debtor sought approval of the Bankruptcy Court to obtain a forfeiture to the Debtor of the earnest money paid into trust by Okun, which motion was resolved by a settlement between the Debtor and Okun pursuant to which the Debtor received payment of $50,000, and all obligations and claims of the parties related to the letter of intent were terminated and released.

Following Okun's refusal to close the Okun Transaction, ATA and the Debtor began negotiations with CSC Investment Group, Inc. ("CSC"), the second highest bidder at the C8 Auction. On June 16, 2005, the Bankruptcy Court entered an order (the "CSC Approval Order") approving an asset purchase agreement entered into as of June 15, 2005 by and between CSC and the Debtor (the "CSC APA"), the sale of certain of the Debtor's assets to CSC contemplated thereby (the "CSC Transaction"), and authorizing the Debtor to perform all of its obligations under the CSC APA and to take all further action reasonably required to transfer the assets being sold to CSC. The cash purchase price paid by CSC for the assets acquired was $1.25 million. The Saab Assets were not sold to CSC as a part of the CSC Transaction.

Following the closing of the CSC Transaction, ATA and the Debtor continued to negotiate with CSC for the sale of a spare engine owned by the Debtor (the "C8 Engine") and/or the Saab Assets.

On August 29, 2005, ATA and the Debtor filed a motion seeking authority to sell and transfer the C8 Engine and the Saab Assets to CSC and/or Colgan Air Inc. ("Colgan") (the "CSC/Colgan Approval Motion"). On September 19, 2005, the Bankruptcy Court approved the relief sought in the CSC/Colgan Approval Motion ("CSC/Colgan Approval Order"). Following the entry of the CSC/Colgan Approval Order, the parties continued to work toward a closing of the transactions contemplated in the CSC/Colgan Approval Motion. Due to certain changes to the terms of the proposed transactions, (changes favorable to ATA) and the discovery of a discrepancy in the serial numbers of the Saab Assets, ATA and the Debtor moved the Bankruptcy Court for an amended order approving the proposed sale transactions. The Bankruptcy Court entered such amended approval order on November 17, 2005.

On November 18, 2005, the sale of the Saab Assets and the C8 Engine closed and the C8 Engine was sold to CSC for $250,000. A portion of the proceeds from the sale of the Saab Assets and the C8 Engine were paid to GE Engine Services Inc. ("GE"), together with a previously funded security deposit, pursuant to a settlement agreement between ATA, the Debtor and GE (the "GE Settlement"). Entry into the GE Settlement and the satisfaction of the

conditions set forth therein, were conditions to closing the sale of the Saab Assets and the C8 Engine.

IV. Description of the Debtor's Remaining Assets and Liabilities

A. The Debtor's Remaining Assets

The Debtor has liquidated substantially all of its assets pursuant to the Bankruptcy Court approved sale transactions described in the preceding section. As a result, the Debtor's principal assets primarily consist of cash and cash equivalents and the Retained Actions. As of December 31, 2005, the Debtor holds cash and cash equivalents in the approximate amount of $1.7 million. The amount of cash on hand may increase or decrease before the Effective Date of the Plan as a result of the liquidation of the Retained Actions and the payment of administrative expenses in the ordinary course of business or pursuant to an Order of the Bankruptcy Court.

The Retained Actions are the primary non-cash assets of the Debtor. The Debtor is analyzing its prepetition transfers to determine whether they may and should assert Avoidance Claims. The Debtor, with limited oversight of the Creditors' Committee, will commence, prosecute and possibly settle Avoidance Claims. In addition, the Debtor may have certain causes of action and claims related to accounts receivable or contracts and agreements. It is the intent of the Debtor to retain all such actions to the extent legally possible. A non-exclusive list of Retained Actions and Avoidance Actions may be found in Exhibit A to the Plan.

B. The Debtor's Remaining Liabilities

The Debtor's outstanding prepetition indebtedness totals over $450 million. The deadline for creditors to file proofs of claim in the Chapter 11 Case of the Debtor was January 24, 2005 and the deadline for creditors to file requests for the allowance and payment of administrative expenses was October 25, 2005. As of the date of this Disclosure Statement, the Debtor and the Creditors' Committee have not completed the process of reviewing, evaluating, and objecting (where appropriate) to the claims filed in the Chapter 11 Case.

The Debtor and Creditors' Committee estimate, as of the date of this Disclosure Statement, however, that Priority Tax Claims will approximate $132,000, that Other Priority Claims will not exceed approximately $30,000, that there are no valid secured Claims, and that General Unsecured Claims will be approximately $450 million. Further, Administrative Claims will fall in the range of approximately $429,000 to $1.2 million, and as of February 28, 2006, the ATA Administrative Claim totaled approximately $6.1 million.

THE ACTUAL AMOUNT OF INDEBTEDNESS WILL LIKELY VARY FROM THE ESTIMATES INCLUDED IN THIS DISCLOSURE STATEMENT AND THE ESTIMATES PROVIDED HEREIN ARE EACH SUBJECT TO MATERIAL CHANGE. IN ADDITION TO THE ESTIMATED INDEBTEDNESS SET FORTH ABOVE, THE DEBTOR WILL ALSO BE RESPONSIBLE FOR PAYING COSTS OF ADMINISTERING ITS CHAPTER 11 CASE, INCLUDING, WITHOUT LIMITATION, THE RESOLUTION OF CLAIMS AND THE RECOVERY OF AVOIDANCE CLAIMS.

V. Plan Voting Instructions and Procedures

A. Voting and Solicitation Procedures.

The Debtor has filed a motion with the Bankruptcy Court seeking approval of procedures to govern the solicitation of votes for acceptance of the Plan and the voting process (the "Procedures Motion"). The Procedures Motion, among other things, asks the Bankruptcy Court to : (i) schedule a hearing to consider confirmation of the Plan on June 6, 2006; (ii) set April 11, 2006, as the date by which holders of Claims and Interests must be known to be eligible to vote; (iii) set May 19, 2006, as the deadline for filing an objection to confirmation of the Plan; (v) set May 19, 2006, as the deadline by which Ballots must be received by BMC, the Debtor's voting agent; and (vi) establish criteria for determining votes received. A hearing on the Procedures Motion is scheduled for April 11, 2006.

The procedures for solicitation and voting are set forth in the Solicitation Procedures Motion and Draft Order which is attached as Exhibit 2 to this Disclosure Statement.

B. Acceptance of the Plan.

Claim and Interest Holder Acceptance. In order for the Plan to be accepted by an Impaired Class of Allowed Claims, a majority in number and two-thirds in dollar amount of the Allowed Claims voting (of each Impaired Class of Claims) must vote to accept the Plan, or the Plan must qualify for cramdown of any non-accepting Class pursuant to Section 1129(b) of the Bankruptcy Code. In any case, at least one Impaired Class, excluding the votes of insiders, must actually vote to accept the Plan.

Cramdown Election. If all Classes do not accept the Plan, but at least one Impaired Class votes to accept the Plan, excluding the votes of insiders, the Debtor may attempt to invoke the "cramdown" provisions. Cramdown may be an available remedy, because the Debtor believes that, with respect to each Impaired Class, the Plan is fair and equitable within the meaning of Section 1129(b)(2) of the Bankruptcy Code and does not discriminate unfairly.

C. Confirmation of the Plan.

In order to confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including that (a) the Plan has classified Claims and Interests in a permissible manner; (b) the Plan complies with the technical requirements of Chapter 11 of the Bankruptcy Code; (c) the Debtor proposed the Plan in good faith; and (d) the Debtor's disclosures as required by Chapter 11 of the Bankruptcy Code have been adequate and have included information concerning all payments made or promised in connection with the Plan. The Debtor believes that all of these conditions will have been met by the date set for the Confirmation Hearing and will seek rulings from the Bankruptcy Court to such effect at the Confirmation Hearing.

The Bankruptcy Code also requires that the Plan shall have been accepted by the requisite votes of creditors and equity security holders (except to the extent that a "cram down" is

available under section 1129(b) of the Bankruptcy Code); that the Plan be feasible (that is, that there be a reasonable prospect that the Debtor will be able to perform its obligations under the Plan and will not likely require further financial reorganization); and that the Plan is in the "best interests" of all impaired creditors and equity security holders (that is, that impaired creditors and equity holders will receive at least as much pursuant to the Plan as they would receive in a chapter 7 liquidation). To confirm the Plan, the Bankruptcy Court must find that all of these conditions are met with respect to the Plan. Thus, even if the creditors and equity security holders of the Debtor accept the Plan by the requisite votes, the Bankruptcy Court must make independent findings respecting the Plan's feasibility and whether it is in the best interests of the Debtor's creditors and equity security holders before it may confirm the Plan.

The following summarizes some of the pertinent requirements of Section 1129:

Acceptance by Impaired Classes. Except to the extent that the cramdown provisions of Section 1129(b) of the Bankruptcy Code may be invoked, each Class of Allowed Claims and each Class of Interests must either vote to accept the Plan or be deemed to accept the Plan because the Claims or Interests of such Class are not Impaired.

Classification of Claims and Interests. The Bankruptcy Code requires that a Chapter 11 plan place each creditor's claim and each equity security holder's interest in a class with other claims and interests that are "substantially similar." The Debtor believes that the Plan meets the classification requirements of the Bankruptcy Code.

Feasibility. The Bankruptcy Court is required to find that the Plan is likely to be implemented and that parties required to perform or pay monies under the Plan will be able to do so. As the Plan is itself a plan of liquidation, the Debtor believes that the Plan is feasible and that the Bankruptcy Court will so find.

"Best Interest" Test. The Bankruptcy Court must find that the Plan is in the "best interest" of all creditors. To satisfy this requirement, the Bankruptcy Court must determine that each holder of an Allowed Claim against, or Interest in, the Debtor: (i) has accepted the Plan; or (ii) will receive or retain under the Plan money or other property which, as of the Effective Date, has a value not less than the amount such holder would receive if the Debtor's property was liquidated under Chapter 7 of the Bankruptcy Code on such date.

Liquidation Analysis. The Plan generally provides for the prompt distribution of the proceeds of the liquidation of the assets of the Debtor's Estate. If the case were converted to a case under Chapter 7 of the Code, a Chapter 7 trustee would have similar expenses to those that will be incurred by the Debtor but would also be entitled to a commission for making the distributions. Accordingly, the Debtor believes that the Plan will result in a somewhat higher distribution to creditors than conversion to Chapter 7 and the appointment of a trustee. Moreover, the Plan provides, by agreement with ATA, for distributions to holders of General Unsecured claims. Under a chapter 7 liquidation, there would be no distribution to holders of General Unsecured Claims.

"Cramdown" Provisions. Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan, even if such plan has not been accepted by all impaired classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class (without including any acceptance of the Plan by an insider). It is also possible that one or more other Classes will reject the Plan. Section 1129(b) of the Bankruptcy Code states that, notwithstanding the failure of an impaired class to accept a plan of reorganization, such plan shall be confirmed, on request of the proponent of the plan, in a procedure commonly known as a "cram down," so long as the plan does not "discriminate unfairly," and is "fair and equitable" with respect to each class of claims or interests that is impaired under and has not accepted the plan. The Debtor will invoke the "cramdown" provisions of Section 1129(b) of the Bankruptcy Code should any voting Class fail to accept the Plan.

Procedure. To confirm the Plan, the Bankruptcy Court must hold a hearing to determine whether the Plan meets the requirements of Section 1129 of the Bankruptcy Code (the "Confirmation Hearing"). In the Procedures Motion the Debtor has requested that the Bankruptcy Court set June 6, 2006, for the Confirmation Hearing.

Objection to Confirmation. Any party-in-interest may object to the Confirmation of the Plan and appear at the Confirmation Hearing to pursue such objection. The Debtor has requested in the Procedures Motion that the Bankruptcy Court set May 19, 2006, as the deadline for filing and serving upon Debtor's counsel and counsel to the Creditors' Committee objections to Confirmation of the Plan.

YOU WILL RECEIVE A SEPARATE NOTICE OUTLINING THE VOTING PROCEDURES ESTABLISHED BY THE BANKRUPTCY COURT IN RESPONSE TO THE PROCEDURES MOTION, INCLUDING, WITHOUT LIMITATION, THE BANKRUPTCY COURT ORDERED CONFIRMATION HEARING DATE AND OBJECTION DEADLINE FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN.

VI. Summary of the Plan

A. In General.

The Plan is a plan of liquidation, and if the Plan is confirmed, following the closing of the case the Debtor will be dissolved pursuant to the laws of the State of Georgia. The Debtor believes that it will have sufficient funds to pay Allowed Administrative Claims, Allowed Priority Tax Claims and Allowed Professional Fee Claims. It is not expected that, after paying such claims, the Debtor will have sufficient funds to pay the ATA Administrative Claim in full. The ATA Administrative Claim, as defined and described in the Plan, represents indebtedness in excess of $6.1 million of the Debtor to ATA for post-petition advances made by ATA to or on behalf of the Debtor during the Chapter 11 Case for the payment of the expenses of the Debtor and for expenses of the Debtor paid directly by ATA. However, despite having insufficient funds to pay the ATA Administrative Claim in full, the Plan, based upon the agreement of ATA, proposes to pay Allowed General Unsecured Claims on a pro rata basis from recoveries of Avoidance Claims a total of the lesser of: (1) $1,000,000 or (ii) one half of amounts (net of attorneys ' and other professionals' fees and expenses) recovered through Avoidance Claims.

B. Classification of Claims and Interests.

Class 1 Other Priority Claims. This Class consists of Claims entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than Priority Tax Claims and administrative expense claims.

Class 2 General Unsecured Claims. This Class consists of General Unsecured Claims.

Class 3 Equity Interests. This Class consists of the equity Interests.

C. Treatment of Unclassified Claims.

Administrative Claims. Each holder of an Allowed Administrative Claim shall be paid in Cash in full but without interest on the Distribution Date or within 30 days following the date such Administrative Claim becomes an Allowed Claim, if not an Allowed Claim on the Distribution Date. The aggregate amount of any Contested Administrative Claims as of the Distribution Date shall be set aside by the Debtor in the Contested Administrative Claim Reserve, subject to estimation by the Debtor. Contested Administrative Claims that are thereafter Allowed shall be paid from the Contested Administrative Claim Reserve.

Priority Tax Claims. Each holder of an Allowed Priority Tax Claim shall be paid in full in Cash, but without interest, on the Distribution Date.

Professional Fee Claims. Each holder of an Allowed Professional Fee Claim shall be paid in Cash on the Distribution Date or within 30 days following the date such Professional Fee Claim is Allowed, if not so Allowed on the Distribution Date. Any Professional retained and requesting compensation pursuant to sections 327, 328, 330, or 331 of the Bankruptcy Code shall be entitled to file an application for allowance of final compensation and reimbursement of fees and expenses for services performed and costs incurred from and after the Petition Date, through the Confirmation Date not later than the sixtieth (60) day after the Confirmation Date. The aggregate amount of sums payable to Professionals shall be set aside and reserved in the Professional Fee Reserve, and Professional Fee Claims shall be paid from the Professional Fee Reserve as and when and with respect to the amount approved by the Bankruptcy Court.

ATA Administrative Claim. The ATA Administrative Claim shall be Allowed on the Confirmation Date and shall be paid as soon as practicable after the Effective Date in full to the extent it can be from Available Cash. The ATA Administrative Claim is subject to reduction by the value of the consideration received on account of C8 General Unsecured Claim, after first setting off any General Unsecured Claims asserted by the Reorganizing Debtors against the estate of C8.

D. Treatment of Claims and Interests.

Class 1 Other Priority Claims. Each holder of an Allowed Class 1 Other Priority Claim shall be paid in full by the Debtor from the Available Cash to the full extent permitted

under section 507(a) of the Bankruptcy Code, but without interest, as soon as practicable following the later of the Distribution Date or the date such Claim becomes an Allowed Claim.

Class 2 General Unsecured Claims. Each holder of an Allowed Class 2 General Unsecured Claim shall be paid pro rata by the Debtor from the Preference Recovery Pool to the full extent permitted under section 507(a) of the Bankruptcy Code, but without interest, as soon as practicable following the later of the Distribution Date or the date such Claim becomes an Allowed Claim.

Class 3 Equity Interests. No distributions will be made to Class 3 and the equity Interests will be cancelled on the date the Chapter 11 Case is closed.

E. Implementation of the Plan.

Liquidation of Assets. On and after the Confirmation Date, and subject to the Effective Date, the Debtor may, without further approval of the Bankruptcy Court, (1) use, sell, assign, transfer, abandon or otherwise dispose of at a public or private sale the Debtor's remaining assets, if any, for the purpose of liquidating and converting such assets into cash, making distributions and fully consummating the Plan and (2) settle and compromise any Avoidance Claim or Retained Action; provided, however, that the Debtor shall provide five (5) business days' prior written notice to the Creditors' Liquidation Committee of the settlement and compromise of an Avoidance Action where payments made by the Debtor in the 90 days prior to the Petition Date totaled at least $200,000 or where the payments made within a seven day variance of payments made in the ordinary course totaled at least $50,000. Notwithstanding the notice provision above, the Debtor shall have full authority to settle any Avoidance Action for eighty percent (80%) of the asserted Avoidance Action without prior notice to the Creditors' Liquidation Committee.

Distribution Procedures. On the Effective Date, or as soon thereafter as practicable, the Debtor shall remit from Available Cash payments to holders of all Allowed Administrative Claims, Allowed Professional Fee Claims, Allowed Other Priority Claims and Allowed Priority Tax Claims and shall remit the balance of Available Cash, less the Administrative Claim Reserve and the Professional Fee Reserve and the Preference Recovery Pool to ATA in satisfaction of the ATA Administrative Claim. Distributions to any holder of an Allowed Claim shall be allocated first to the principal portion of any such Allowed Claim, and, only after the principal portion of any such Allowed Claim is satisfied in full, to any portion of such Allowed Claim comprising interest (but solely to the extent that interest is an allowable portion of such Allowed Claim and allowed under this Plan). Unless otherwise specifically provided for in the Plan, the Confirmation Order, or required by applicable bankruptcy law, (i) post-petition interest shall not accrue or be paid on Claims, and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim and (ii) interest shall not accrue or be paid upon any Disputed Claim in respect of the period from the Petition Date to the date a final distribution is made thereon, if and after such Disputed Claim becomes an Allowed Claim.

Preservation of Causes of Action. In accordance with section 1123(b)(3) of the Bankruptcy Code and except as otherwise provided in the Plan, the Debtor will retain and may (but are not required to) enforce all Retained Actions and all other similar claims arising under applicable state laws, including, without limitation, fraudulent transfer claims, if any, and all other Causes of Action of a trustee and a debtor-in-possession under the Bankruptcy Code. The Debtor will determine in consultation with the Creditors' Liquidation Committee, subject to the limitations of notice set forth above, whether to bring, settle, release, compromise, or enforce such rights (or decline to do any of the foregoing), and will not be required to seek further approval of the Bankruptcy Court for such action unless the Creditors' Liquidation Committee objects to any such settlement and compromise of an Avoidance Action in which case Bankruptcy Court approval of such settlement and compromise shall be sought.

Exclusivity Period. The Debtor will retain the exclusive right to amend or modify the Plan, subject to the prior written notice to the Creditors' Committee, in accordance with the terms hereof; and to solicit approvals of any amendment to or modifications of the Plan, through and until the Effective Date.

Exemption From Certain Transfer Taxes and Recording Fees. Pursuant to section 1146(c) of the Bankruptcy Code, any transfers from the Debtor or to any other Person or entity pursuant to the Plan will not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, Federal Aviation Administration filing or recording fee or other similar tax or governmental assessment, and the Confirmation Order will direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

F. Treatment of Executory Contracts and Unexpired Leases.

Rejection. Any executory contract or unexpired lease to which the Debtor is a party or bound that has not already been either assumed and assigned or rejected by an order of the Bankruptcy Court shall be rejected as of the Confirmation Date. Counterparties to executory contracts and unexpired leases rejected pursuant to the Confirmation Order shall have 30 days from the Confirmation Date to file a proof of Claim for any damages arising from the rejection or be forever barred from asserting such Claim.

G. Modification of the Plan.

Plan May Be Modified. The Plan may be altered, amended or modified before or after the Confirmation Date in accordance with Section 1127 of the Bankruptcy Code.

H. Plan Controls.

Plan Provisions Control. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of this Disclosure Statement or any other agreement or

instrument required or contemplated to be executed by the Debtor, the provisions of the Plan shall control.

I. Binding Effect.

Provisions of Plan are Binding. The provisions of the Plan and the Confirmation Order shall be binding and inure to the benefit of, the holders of Claims against, and Interests in, the Debtor and its respective successors, assigns, heirs and personal representatives, whether or not such persons voted to accept or reject the Plan.

J. Procedures for Resolving Disputed Claims and Interests.

Claims Administration Responsibility. The Debtor will retain responsibility for administering, disputing, objecting to, compromising, or otherwise resolving all Claims against and Interests in the Debtor. Unless otherwise extended by the Bankruptcy Court, any objections to Claims shall be served and filed on or before the Claims Objection Deadline.

Procedures for Treating and Resolving Disputed Claims. No payments or distributions will be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order, and the Disputed Claim has become an Allowed Claim. Distribution with respect to Allowed Claims of each individual agency or entity of the United States shall be made in accordance with the terms of the Plan as soon as all of the Claims of that individual agency or entity are resolved. The Disbursing Agent shall establish appropriate reserves for Disputed Claims in any class, as it determines are necessary and appropriate. Prior to making any distributions to holders of a particular class or type of Claim, the Disbursing Agent shall determine whether a Distribution Reserve (a "Distribution Reserve") is necessary. If the Disbursing Agent determines that a Distribution Reserve is necessary, the Disbursing Agent shall establish a Distribution Reserve to withhold from any such distributions 100% of distributions to which holders of Disputed Claims would be entitled under the Plan as of such date if such Disputed Claim were an Allowed Claim in their Disputed Claim Amount. Notwithstanding the foregoing, the Disbursing Agent shall have the right to request estimation of any Disputed Claim and authority from the Bankruptcy Court to withhold less than 100% of the Disputed Claim Amount from distributions to holders of Allowed Claims in that class or type. The holder of a Disputed Claim shall not be entitled to receive or recover any amount in excess of the amount provided in the Distribution Reserve to pay such Claim.

VII. Disclaimer Concerning Financial Information

Although the Debtor has used its best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement. Although the Debtor believes that such financial information fairly reflects the financial circumstances discussed, the Debtor is unable to warrant or represent that the information contained herein is without inaccuracies.

VIII. Risk Factors

THE HOLDER OF A CLAIM AGAINST THE DEBTOR SHOULD READ AND CAREFULLY CONSIDER THE FOLLOWING FACTORS, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND IN THE PLAN BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR TO REJECT THE PLAN.

No Assurances. There can be no assurance by the Debtor of the success of any Avoidance Claim.

Success regarding the Reduction of the Amounts of Claims. There can be no assurance that the Debtor will be able by objection to proofs of claim to reduce the amount of Allowed General Unsecured Claims.

IX. Alternatives to the Plan

Based upon the information available and known by the Debtor, the Debtor has concluded that, should the Plan not be confirmed, it is likely that holders of Allowed General Unsecured Claims will receive no distribution under a chapter 7 liquidation. In addition, the distributions to creditors could be materially reduced by additional fees and other costs associated with extended proceedings to propose and confirm an alternative chapter 11 Plan, or if the case were converted to chapter 7, a chapter 7 liquidation. Accordingly, the Debtor believes that the Plan offers the best prospects of recovery for the holders of Claims against and Interests in the Debtor and recommend that holders of Claims and Interests vote to accept the Plan.

X. Federal Income Tax consequences of the Plan

There should be no federal income tax consequences in connection with the distributions to creditors under the Plan other than consequences normally attendant to payment or partial payment of an obligation by a debtor to a creditor.

Pursuant to the Plan, holders of Allowed Class 2 General Unsecured Claims will receive Cash in the total amount of the lesser of: (i) $1,000,000; or (ii) one half of net amounts (net of attorneys' and other professionals' fees and expenses) recovered through Avoidance Claims in satisfaction and discharge of their Claims.

The distributions to holders of Allowed Class 2 General Unsecured Claims in satisfaction of their Claims generally should be fully taxable transactions.

Accordingly, a holder of such an Allowed Claim generally will recognize gain or loss in an amount equal to the difference between (i) the "amount realized" by the holder in satisfaction of its Claim and (ii) the holder's adjusted tax basis in its Claim. The "amount realized" by a holder will equal the sum of the amount of any Cash received.

Due to the possibility that a holder of an Allowed Class 2 General Unsecured Claim may receive additional distributions subsequent to the Effective Date in respect of any Avoidance Claims, subsequently disallowed Disputed Claims, or unclaimed distributions, the

Tax Code may apply to treat a portion of such later distributions to such holders as imputed interest. In addition, it is possible that any loss and a portion of any gain realized by such holders may be deferred until such time as such holder has received its final distribution. All holders of an Allowed Class 2 General Unsecured Claim should consult their tax advisors as to the tax consequences of the receipt of Cash subsequent to the Effective Date.

Where gain or loss is recognized by a holder in respect of its Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was originally issued at a discount or was acquired at a market discount, and whether and to what extent the holder had previously claimed a bad debt deduction in respect of such Claim. A holder that purchased its Claim from a prior holder at a market discount may be subject to the market discount rules of the Tax Code. Under those rules, assuming that the holder has made no election to amortize the market discount into income on a current basis with respect to any market discount instrument, any gain recognized on the exchange of such Claim (subject to a de minimis rule) generally would be characterized as ordinary income to the extent of the accrued market discount on such Claim as of the date of the exchange.

THE FOREGOING DESCRIPTION OF FEDERAL INCOME TAX CONSEQUENCES IS INTENDED MERELY AS AN AID FOR CREDITORS AND EQUITY SECURITY HOLDERS AND NEITHER THE DEBTOR, THE CREDITORS' COMMITTEE, NOR THEIR ATTORNEYS ASSUME ANY RESPONSIBILITY IN CONNECTION WITH THE INCOME TAX LIABILITY OF ANY CREDITOR OR HOLDER OF AN INTEREST. EACH HOLDER OF A CLAIM SHOULD CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FOREIGN, FEDERAL, STATE, AND LOCAL TAX CONSEQUENCES OF THE PLAN.

XI. Recommendation

It is the position of the Debtor that the Plan is substantially preferable to a liquidation under chapter 7 of the Bankruptcy Code. Conversion of the Chapter 11 Case would result in: (i) delays in the distribution of proceeds available under such alternative; (ii) increased administrative costs; and (iii) increased uncertainty as to whether Allowed General Unsecured Claims would receive any distribution.

THE DEBTOR RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PLAN

IN WITNESS WHEREOF, the Debtor has submitted this Disclosure Statement this 30th day of March, 2006.

By:/s/ Terry E. Hall

By counsel on behalf of C8 Airlines, Inc.

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