

## EXHIBIT C TO PLAN

**THIS PLAN EXHIBIT REMAINS SUBJECT TO FURTHER NEGOTIATION  
(INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO THE BRACKETED  
TEXT).**

### FORM OF NOTE

**[Such Lender's Pro Rata  
Share of \$20,000,000]**  
\$ \_\_\_\_\_

New York, New York  
[•], 2006

FOR VALUE RECEIVED, the undersigned ATA AIRLINES, INC., an Indiana corporation (the "Borrower"), hereby promises to pay to **[Lender's name]** (the "Lender"), the principal amount of **[such Lender's Pro Rata Share of \$20,000,000]** Dollars (\$ \_\_\_\_\_), payable on the dates and in the principal amounts set forth below **[the amounts to be inserted in each Note will be the Lender's Pro Rata Share of the amortization payment being made on such date under the Loan Agreement (referred to below); the amortization schedule under the Loan Agreement will be calculated on the same pro rata basis as the amortization schedule under the ATSB's Loan Agreement]**; provided that, the Borrower shall repay the entire unpaid principal amount hereunder on October 10, 2009:

<u>Date</u>	<u>Amount</u>
September 30, 2006	\$ _____
March 31, 2007	\$ _____
September 30, 2007	\$ _____
March 31, 2008	\$ _____
September 30, 2008	\$ _____
March 31, 2009	\$ _____
October 10, 2009	The remaining balance

The Borrower hereby promises to pay interest on the unpaid principal amount hereunder from the date hereof until such principal amount is paid in full, at the Applicable Interest Rate. Interest shall accrue on the principal amount hereof and be payable in arrears on each Interest Payment Date beginning March 31, 2006, upon the payment or prepayment of the principal amount in whole or in part, and, if not previously paid in full, at maturity (whether by acceleration or otherwise). Interest on the principal amount hereof shall be calculated on the basis of a year of 360 days and actual number of days elapsed.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York, New York or Indianapolis, Indiana and, if the applicable Business Day relates to notices, determinations, fundings and payments in connection with LIBOR, a day on which dealings in Dollar deposits are also carried on in the London interbank market.

"Applicable Rate" means, for any Interest Period, a rate per annum equal to LIBOR for such Interest Period plus 10.00% per annum.

“Dollars” and the sign “\$” each mean the lawful money of the United States of America.

“Interest Period” means (a) initially, the period commencing on the date hereof and ending on but excluding the next succeeding Interest Payment Date and (b) thereafter, each successive period commencing on and including the immediately preceding Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date; provided, that following a Default or Event of Default, each Interest Period shall be for such duration of one month or less as shall be selected by the Administrative Agent by notice to the Borrower and Lender on or prior to the restart of such Interest Period (and in the absence of any such notice or selection, the applicable Interest Period shall be determined as provided above without regard to this proviso).

“Interest Payment Date” means each March 31, June 30, September 30 and December 31; provided, however, that: (i) October 10, 2009 shall be an Interest Payment Date; (ii) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, such Interest Payment Date shall fall on the next succeeding Business Day, unless such next succeeding Business Day shall fall in another calendar month, in which event such Interest Payment Date shall fall on the immediately preceding Business Day; and (iii) following a Default or an Event of Default, each “Interest Payment Date” shall be the last day of each Interest Period occurring during such period in which such Default or Event of Default exists.

“LIBOR” means, with respect to any Interest Period, the offered rate in the London interbank market for deposits in Dollars of amounts equal or comparable to the then unpaid principal amount of the Loan offered for a term comparable to such Interest Period, as currently shown on the Bridge/Telerate page 3750 as of 11:00 a.m., London time, two (2) Business Days prior to the first day of such Interest Period; provided, however, that (a) LIBOR for the initial Interest Period shall be [•]% per annum, (b) if more than one offered rate as described above appears on such Bridge/Telerate page, the rate used to determine LIBOR will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100 of 1%) of such offered rates and (c) if no such offered rates appear, the rate used for such Interest Period will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100 of 1%) of rates quoted by the Reference Banks at approximately 10:00 a.m., New York time, two (2) Business Days prior to the first day of such Interest Period for deposits in Dollars offered to leading European banks for a period comparable to such Interest Period in an amount comparable to the unpaid principal amount of the Loan. If the Administrative Agent ceases generally to use such Bridge/Telerate page for determining interest rates based on eurodollar deposit rates, a comparable internationally recognized interest rate reporting service shall be used to determine such offered rates.

“Reference Banks” means Citibank, N.A., JPMorgan Chase Bank and Bank of America, N.A., and each of their respective successors.

Notwithstanding the rate of interest specified in the preceding paragraph, if any principal of or interest thereon is not paid when due, whether at stated maturity, upon acceleration, by mandatory prepayment or otherwise, such overdue amount shall bear interest at

a rate which is two percent (2%) per annum in excess of the Applicable Interest Rate as in effect from time to time.

The Borrower shall make each payment hereunder not later than 12:00 noon (New York City time) on the day when due, in Dollars, to the Administrative Agent at \_\_\_\_\_, ABA # \_\_\_\_\_, Account No. \_\_\_\_\_, Account Name: \_\_\_\_\_ in immediately available funds without set-off or counterclaim. Payments received by the Administrative Agent after 12:00 noon (New York City time) shall be deemed to be received on the next Business Day.

This Note is one of the "Notes" referred to in that certain Loan Agreement, dated as of [•], 2006 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), among the Borrower, ATA Holdings Inc., and its subsidiaries from time to time party thereto, the Lenders from time to time party thereto and [\_\_\_\_\_], as Administrative Agent and [\_\_\_\_\_], as Collateral Agent, and is entitled to the benefits thereof. **[The Loan Agreement will contain mandatory and optional prepayments, representations, affirmative and negative covenants, financial covenants (including those financial covenants set forth on Annex 1 attached hereto), increased costs, gross-up, illegality, breakage cost, capital adequacy and other similar provisions, events of default, costs and expense provision, indemnities and other miscellaneous provisions, all substantially similar to the same provisions in the ATSB Loan Agreement.]** Capitalized terms used herein and not defined herein are used herein as defined in the Loan Agreement.

Demand, diligence, presentment, protest and notice of non-payment and protest are hereby waived by the Borrower. This Note may be prepaid solely as provided in the Loan Agreement and may be accelerated as provided in the Loan Agreement.

This Note shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the Borrower has caused Note to be executed and delivered by its duly authorized officer as of the date and at the place set forth above.

**ATA AIRLINES, INC.**

By: \_\_\_\_\_  
Name:  
Title:

## ANNEX 1

As used herein, the following terms have the following meanings:

“Air Mobility Command” means the Headquarters Air Mobility Command unit of the United States Department of the Air Force.

“Air Mobility Command Agreement” means that certain agreement identified as contract number FA4428-05-D-0005 between the Air Mobility Command and the Federal Express Charter Programs Team Arrangement (of which the Borrower is a member), including any amendment, restatement, renewal, replacement, successor or modification thereof or thereto.

“Aircraft Related Equipment” means the aircraft, aircraft engines, airframes, propellers and appliances installed thereon, spare aircraft engines, propellers, Spare Parts, aircraft parts, simulators and passenger loading bridges or other flight or ground equipment owned by each Obligor from time to time.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation, exchange of assets or sale-leaseback transactions), in one transaction or a series of related transactions, by any Obligor to any Person (other than another Obligor) of (i) all or any of the Capital Stock of any Obligor other than Parent, (ii) all or substantially all of the property and assets of an operating unit or business of any Obligor or (iii) any other property and assets of any Obligor outside of the ordinary course of business of such Obligor (it being understood that sales of Spare Parts made for the purpose of conforming the Obligors’ Spare Parts inventory to the size of the Obligors’ aircraft fleet shall be deemed to be sales outside of the ordinary course of business); provided, that sales of Aircraft Related Equipment (other than Spare Parts) as part of a sale-leaseback transaction in connection with the acquisition of such Aircraft Related Equipment by the Borrower or another Obligor and entered into within eighteen (18) months after such acquisition shall not be included within the meaning of “Asset Sale.”

“Available Cash Amount” means, as of any date, (x) the aggregate amount of Pledged Cash less (y) the sum of the following (to the extent included in Pledged Cash):

(i) the amount by which all outstanding advances to the Obligors by credit card processors exceeds twenty percent (20%) of the Obligors’ aggregate outstanding air traffic liability as of such date in respect of such credit card purchases (as determined in accordance with GAAP, and, for the avoidance of doubt, excluding air traffic liability associated with the Obligors’ frequent flyer, affinity card and like programs);

(ii) [(a) the aggregate amount (but in any event no less than [\$ \_\_\_\_\_]) which would be necessary to (1) satisfy the obligations of the Obligors under or in respect of the Trust Agreements as of such date and (2) which the Obligors would be required to pay or post as collateral as of such date to Persons performing clearinghouse services for the Obligors (including, without limitation IATA, ARC and ACH) to fully secure amounts that may be owed to each such Person in connection with such Person’s performance of clearinghouse services for the Obligors, less (b) the Pre-Funded Amount as of such date;]

(iii) the amount of any checks issued or payments made by the Obligors from Pledged Cash which have not cleared as of such date; and

(iv) the amount of any Equipment Purchase Reserves.

“Capital Lease” means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee that, in conformity with GAAP, is required to be accounted for as a capital lease on the balance sheet of that Person, and the amount of Indebtedness represented by such lease shall be the capitalized amount of the obligations evidenced thereby determined in accordance with GAAP.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such Person’s capital stock, or corresponding equity rights in any partnership, limited liability company or other entity, whether now outstanding or issued after the date of this Agreement, including, without limitation, all common stock.

“Collateral” means all of the properties and assets that are (or are purported to be) from time to time, beginning on and after the date hereof, subject to the Liens granted to the Collateral Agent pursuant to the collateral documents but not including Excluded Property.

“Collateral Value” means, as of any date of determination, the aggregate value of the following Collateral: (i) the Available Cash Amount, (ii) the amount of the Obligors’ outstanding accounts receivable arising under the Air Mobility Command Agreement, (iii) an amount, not to exceed \$[\_\_\_\_\_], of the Obligors’ other outstanding accounts receivable which are owed by the United States government (or any agency or instrumentality thereof the obligations of which are backed by the full, faith and credit of the United States government) which arise out of or relate to airlift services provided by the Obligors to the United States government (or any agency or instrumentality thereof), (iv) 70% of the fair market value (based on the Current Appraisal Report) of the Obligors’ Spare Parts, and (v) Equipment Purchase Reserves; provided, that none of the following ineligible assets shall be included in the computation of Collateral Value: (a) property or assets not subject to a first priority perfected Lien in favor of the Collateral Agent under the Security Documents (subject to Permitted Liens), including, without limitation, any property or assets that may no longer be owned by an Obligor as a result of an Asset Sale or otherwise; and (b) property or assets subject to any event of loss, damage or other casualty that has materially and adversely affected the value of such Collateral, whether insured or not, and in the event that any ineligible assets are excluded from the computation of the Collateral Value based on this proviso, the Collateral Value computed in accordance with the foregoing method shall be adjusted to exclude such ineligible assets.

“Consolidated EBITDAR” means, with respect to any Person, for any period, (a) the sum of (i) the operating income of such Person for such period, (ii) rental expenses of such Person for such period under Operating Leases of aircraft, aircraft engines [and Spare Parts], (iii) amortization, depreciation, non-cash stock compensation expenses, non-cash impairment charges and non-cash extraordinary charges that were deducted in arriving at the amount of such operating income for such period, and (iv) rental expenses of such Person for such period under each synthetic lease that would appear on the balance sheet of such Person if such lease were treated as a Capital Lease, less (b) the aggregate maintenance expense payments made by such Person during such period primarily related to C-checks, D-checks and engine overhauls (other than to the extent such maintenance expenses were deducted in arriving at the amount of such operating income for such period), all as determined on a consolidated basis in accordance with GAAP.

“Consolidated Fixed Charges” means, with respect to any Person, for any period, the sum of (a) the aggregate gross interest expense of such Person for such period (calculated without regard to any limitations on the payment thereof), including that portion of Capital Lease obligations of such

Person representing the interest factor for such period, and (b) the actual amount of rental expenses of such Person for such period under any Operating Lease of personal property, all determined on a consolidated basis in accordance with GAAP.

“Equipment Purchase Reserves” means, at any time, the aggregate amount of (i) Net Cash Proceeds from an Asset Sale of Spare Parts retained by the Obligors pursuant to Section [ ] to replace the assets from which such Net Cash Proceeds derived and (ii) the Net Insurance Proceeds and Net Condemnation Proceeds retained by the Obligors pursuant to Section [ ] to repair, restore or replace the assets from which such Net Insurance Proceeds and Net Condemnation Proceeds derived; it being understood that any such proceeds shall no longer constitute Equipment Purchase Reserves at such time as such proceeds are used to repay the Loan or applied to repair, restore or replace (as applicable) the assets from which such proceeds derived.

“Excluded Cash” means Cash and Cash Equivalents maintained in accounts that are not subject to Control Agreements to the extent that such accounts or Cash and Cash Equivalents are any of the following:

(i) subject to Liens arising or granted in the ordinary course of business in favor of Persons performing credit card processing services, travel charge processing services or clearinghouse services for any Obligor, including US Bank, IATA, Diners Club, Discover Card, NPC, ARC and American Express, so long as such Liens are on Cash and Cash Equivalents that are subject to holdbacks by, or are pledged (in lieu of such holdbacks) to, such Persons to secure amounts that may be owed to such Persons under the Obligors’ agreements with them in connection with their provision of credit card processing, travel charge processing or clearinghouse services to the Obligors; being Liens of the type described in clause (iii)(B) of the definition of “Permitted Encumbrances”;

(ii) subject to Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business; being Liens of the type described in clause (v) of the definition of “Permitted Encumbrances”;

(iii) subject to Liens incurred or deposits made in each case required under or in connection with the Trust Agreements (not including the Obligors’ residuary interest in, claims to or refunds of any such trust funds); being Liens of the type described in clause (ix) of the definition of “Permitted Encumbrances”;

(iv) subject to Liens securing reimbursement and fee obligations in respect of letters of credit issued for the account of any Obligor in the ordinary course of business and consistent with past practice, so long as the aggregate amount of such Cash and Cash Equivalents does not exceed 115% of the maximum available amount under the secured letters of credit; being Liens of the type described in Section [ ];

(v) subject to Liens securing reimbursement or other margin requirements in connection with, in the case of Liens contemplated in this clause (v), (x) transactions designed to hedge against fluctuations in fuel costs, entered into in the ordinary course of business, consistent with past business practice or then current industry practice, and not entered into for speculative purposes, (y) transactions designed to hedge interest rates entered into with respect to notional amounts not to exceed actual or anticipated Indebtedness, not entered into for speculative purposes and (z) transactions designed to hedge against risks associated with fluctuations in currencies entered into in the ordinary course of business; being Liens of the type described in Section [ ];

(vi) subject to Liens incurred or deposits (other than with respect to the Plans described in Section [ ] made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds, reimbursement obligations and chargeback rights of Persons performing services for an Obligor (including Liens securing Trade Payables arising from the Obligors' use in the ordinary course of business, consistent with past practice, of credit advance facilities to purchase goods and services) and other similar obligations (exclusive of obligations for the payment of borrowed money); being Liens of the type described in clause (iii)(A) of the definition of "Permitted Encumbrances"; or

(vii) referred to in any of clauses (i) through (iii) of Section [ ].

"Excluded Property" means the following assets and properties of the Obligors:

(i) any lease or other written agreement under which an Obligor leases real property (other than Gate Leases) and (A) that requires such Obligor to pay annual rentals of \$10,000,000 or more but where the grant of a Lien in favor of the Collateral Agent would violate such lease or other written agreement, provided, that if requested by the Requisite Lenders, such Obligor has used commercially reasonable efforts to obtain the consent of the lessor to the grant of a Lien on such lease or other agreement in favor of the Collateral Agent, (B) that requires such Obligor to pay annual rentals of less than \$10,000,000, or (C) that the Requisite Lenders have agreed in writing in their sole discretion is not material;

(ii) Gate Leases;

(iii) any property (other than Collateral) which is subject to a Lien of the type described in Sections [ ] but only while subject to such Lien;

(iv) any right in any agreement (A) the grant of a security interest in which would violate the agreement under which such right arises except to the extent provided under Sections 9-406 and 9-407 of the UCC of the State of New York, if such Obligor has failed to obtain a waiver or other relief from such provision, but provided that such Obligor has, if requested by the Requisite Lenders, used commercially reasonable efforts (without obligation to incur more than immaterial costs or expenses in connection with such commercially reasonable efforts) to obtain such waiver or other relief or (B) to the extent that the pledge or assignment of such agreement requires the consent of any third party, unless such third party has consented thereto, except to the extent provided under Sections 9-406 and 9-407 of the UCC of the State of New York, so long as such Obligor has, if requested by the Requisite Lenders, used commercially reasonable efforts (without obligation to incur more than immaterial costs or expenses in connection with such commercially reasonable efforts) to obtain such consent;

(v) Excluded Cash;

(vi) subject to the terms of the Security Agreement, 35% of the voting Capital Stock of each Subsidiary of the Obligors that is a "controlled foreign corporation" under Section 957 of the Internal Revenue Code;

(vii) all beneficiary interests of third parties in the trusts created by or pursuant to the Trust Agreements (which does not include the Obligors' residuary interest in, claims to or refunds of any trust funds in respect of such trusts);

(viii) any lease or other written agreement under which an Obligor leases airframes, aircraft, aircraft engines, propellers, Spare Parts and appliances which by its terms is not assignable or which prohibits the Obligor-lessee from granting any Lien thereon; and

(ix) aircraft purchase agreements which by their terms are not assignable;

provided that if an Obligor nonetheless pledges to the Collateral Agent assets that otherwise would constitute Excluded Property absent this proviso, unless or until the Lien with respect to such assets is released in accordance with this Agreement and the applicable Collateral Document, such assets shall constitute Collateral for all purposes under this Agreement and under the other Loan Documents and shall not be treated as Excluded Property.

“GAAP” means, subject to the limitations on the application thereof set forth in Section [ ], generally accepted accounting principles set forth in opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession in the United States or as may be mandated by applicable law.

“Gate Leases” means all right, title and interest of each Obligor, now existing or hereafter acquired, in and to any airport facility use, operation or occupancy lease, license or other agreement with respect to arrival and departure gates, aircraft parking spaces, passenger lounges, ticket counters, terminal common areas, baggage handling areas, carousels and other facilities, crew briefing areas, club lounges, kiosks, flight simulator buildings and other related properties and rights with respect to airports at which any Obligor lands, takes off or otherwise conducts operations or maintains property.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (i) all indebtedness of such Person for borrowed money;
- (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (iii) all obligations of such Person in respect of letters of credit (except, with respect to determining compliance with the provisions in Section [ ] to the extent such letters of credit are cash collateralized by the Parent or the Borrower) or other similar instruments (including reimbursement obligations with respect thereto);
- (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, which purchase price is due more than six (6) months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;
- (v) all Capital Lease obligations of such Person (the amount of the Indebtedness in respect of Capital Lease obligations to be determined as provided in the definition of Capital Lease in this Section [ ]);
- (vi) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the stated principal amount of such Indebtedness;



(vii) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person, including Indebtedness described in the preceding clause (vi) which is recourse to such guarantor;

(viii) to the extent not otherwise included in this definition and to the extent treated as a liability under GAAP, obligations under Currency Agreements, Interest Rate Agreements and Commodity Agreements;

(ix) the capitalized amount of remaining lease payments owing by such Person under synthetic leases that would appear on the balance sheet of such Person if such lease were treated as a Capital Lease;

(x) the aggregate amount of uncollected accounts receivable of such Person subject at such time to a sale of receivables (or similar transaction) to the extent such transaction is effected with recourse to such Person (whether or not such transaction would be reflected on the balance sheet of such Person in accordance with GAAP);

(xi) solely for purposes of determining compliance with Section [ ], all Operating Lease obligations of such Person with respect to Aircraft Related Equipment (the amount of Indebtedness in respect of Operating Lease obligations to be determined as provided in the definition of Operating Lease); and

(xii) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer to the extent such Indebtedness is recourse to such Person;

provided that the term “Indebtedness” shall not include (A) Trade Payables and accrued expenses arising in the ordinary course of business, or (B) agreements providing for indemnification, purchase price adjustments or similar obligations incurred or assumed in connection with the acquisition or disposition of assets or Capital Stock. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date; provided that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP.

“Lien” means any lien, mortgage, pledge, assignment for security, security interest, charge, hypothecation, lease or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, any easement, right-of-way or other encumbrance on title to real property, and any agreement to give any security interest).

“Net Cash Proceeds” means, with respect to any Asset Sale, the Cash Proceeds of such Asset Sale, net of (i) reasonable and customary brokerage commissions and other reasonable and customary fees and expenses (including reasonable fees and expenses of counsel and investment bankers) related to such Asset Sale, (ii) provisions for all taxes payable as a result of such Asset Sale taking into account the consolidated results of operations of the Obligor, taken as a whole (as estimated in good faith by the Chief Financial Officer or the Chief Accounting Officer of the Parent), (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that (A) is secured by a Lien on the property or assets sold and (B) is required by its terms to be paid as a result of such Asset Sale, and (iv) appropriate amounts to be provided by any Obligor as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit

liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP, but limited to the period of the required reserve.

“Obligor” means each of the Borrower, the Parent and each other Guarantor, together with their respective successors and permitted assigns.

“Operating Lease” means, as applied to any Person, any lease (including, without limitation, leases that may be terminated by the lessee at any time) of any property (whether real, personal or mixed) under which such Person is lessee, that is not a Capital Lease. For purposes of determining compliance with Section [ ], the amount of Indebtedness in respect of any Operating Lease at the end of any fiscal quarter shall be an amount equal to the product of (x) six (6) and (y) the total amount of all lease payments in respect of such Operating Lease for the four most recently ended fiscal quarters (or in the case of the fiscal quarter ending on March 31, 2007, the three fiscal quarters ending on such date).

“Permitted Encumbrances” means the following types of Liens (other than any such Lien imposed pursuant to Section 401(a)(29) or 412(n) of the Internal Revenue Code or by ERISA) as applied to property:

(i) Liens for taxes, assessments or governmental charges or claims the payment of which is either (a) not delinquent for a period of more than thirty (30) days or (b) being contested in good faith by appropriate proceedings, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made therefor;

(ii) statutory Liens of landlords and Liens of carriers, vendors, warehousemen, repairmen, mechanics and materialmen and other Liens imposed by law incurred in the ordinary course of business for sums either (a) not delinquent for a period of more than thirty (30) days or (b) being contested in good faith by appropriate proceedings, if such reserve or other appropriate provision, if any, as required by GAAP shall have been made therefor;

(iii) (A) Liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds (other than bonds related to judgments and litigations), reimbursement obligations and chargeback rights of Persons performing services for any Obligor and other similar obligations (exclusive of obligations for the payment of borrowed money) and (B) Liens arising or granted in the ordinary course of business in favor of Persons performing credit card processing services, travel charge processing services or clearinghouse services for any Obligor, including US Bank, IATA, Diners Club, Discover Card, NPC, ARC and American Express, so long as such Liens are on Cash and Cash Equivalents that are subject to holdbacks by, or are pledged (in lieu of such holdbacks) to, such Persons to secure amounts that may be owed to such Persons under the Obligors’ agreements with them in connection with their provision of credit card processing, travel charge processing or clearinghouse services to any of the Obligors;

(iv) easements, rights-of-way, restrictions, minor defects, encroachments or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the business of any Obligor;

(v) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(vi) any interest or title of a lessor in property leased by an Obligor under any Capital Lease obligation or Operating Lease which, in each case, is not prohibited under this Agreement;

(vii) Liens in favor of collecting or payor banks having a right of setoff, revocation, refund or chargeback with respect to money or instruments of any Obligor on deposit with or in possession of such bank;

(viii) Liens of creditors of any Person to whom the assets of any Obligor are consigned for sale in the ordinary course of business;

(ix) Liens incurred or deposits made in connection with the Trust Agreements;

(x) any licensing or sublicensing of intellectual property in the ordinary course of business of the Obligors;

(xi) Liens arising from precautionary UCC and similar financing statements relating to Operating Leases not otherwise prohibited under any Loan Document; and

(xii) any renewal of or substitution for any Lien permitted by any of the preceding clauses; provided that the Indebtedness secured is not increased nor the Lien extended to any additional assets.

“Pledged Cash” means, as of any time of determination, the aggregate Dollar amount of unrestricted Cash and Cash Equivalents of the Obligors (as determined in accordance with GAAP) held in deposit and securities accounts over which the Collateral Agent maintains perfected first priority security interests (subject to liens permitted by clause (vii) of the definition of “Permitted Encumbrances”) in accordance with (and subject to) Section [ ] (it being acknowledged and agreed for the avoidance of doubt that Pledged Cash shall not include Excluded Cash).

“Pre-Funded Amount” means, as of any date of determination, an amount equal to the sum of (i) the aggregate amount of (A) Excluded Cash held by the Obligors as of such date for the purpose of satisfying their obligations under or in respect of the Trust Agreements plus (B) Cash and Cash Equivalents held as of such date by a Person performing credit card processing services or travel charge processing services for an Obligor which such Person has unconditionally agreed in writing to transfer to or at the direction of such Obligor as and when needed to satisfy the obligations of such Obligor under or in respect of the Trust Agreements; and (ii) the aggregate amount of Cash and Cash Equivalents held by a Person performing clearinghouse services for an Obligor (including, without limitation IATA, ARC and ACH) to secure amounts that may be owed to such Person in connection with such Person’s performance of clearinghouse services for such Obligor.

“Requisite Lenders” means, collectively, Lenders holding in excess of fifty percent (50%) of the principal amount of the Loan then outstanding.

“Security Agreement” means the Mortgage and Security Agreement dated as of the date hereof made by the Borrower and the other Obligors party thereto in favor of the Collateral Agent, as the same may be amended, supplemented or otherwise modified from time to time, including by any Security Agreement Supplement.

“Security Agreement Supplement” means a supplement to the Security Agreement that subjects additional Collateral to the Lien of the Security Agreement.

“Security Documents” means the Security Agreement, the Intercreditor Agreement, the Intellectual Property Security Agreement and each other certificate, agreement or document executed and delivered by any Obligor pursuant to any of the foregoing agreements, including any Control Agreement.

“Spare Part” has the meaning specified in the Security Agreement.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries and arising in the ordinary course of business in connection with the acquisition of goods or services but limited to current liabilities in accordance with GAAP.

“Trust Agreements” means all special purpose trust funds established by any Obligor to manage the collection and payment of amounts collected by the Obligors for the express benefit of third-party beneficiaries relating to (a) federal income tax withholding and backup withholding tax, employment taxes, transportation excise taxes and security related charges, including (i) federal payroll withholding taxes, as described in Sections 3101, 3111 and 3402 of the Internal Revenue Code; (ii) federal Unemployment Tax Act taxes, as described in Chapter 23 of Subtitle C of the Internal Revenue Code; (iii) federal air transportation excise taxes, as described in Sections 4261 and 4271 of the Internal Revenue Code; (iv) federal security charges, as described in Title 49 of the Code of Federal Regulations of 2002 (referred to in this definition as the “CFR”), Chapter XII, Part 1510; (v) federal Animal and Plant Health Inspection Service of the United States Department of Agriculture (APHIS) user fees, as described in Title 21 United States Code (2002) (referred to in this definition as “U.S.C.”) Section 136a and 7 CFR Section 354.3; (vi) federal Immigration and Naturalization Service (INS) fees, as described in 8 U.S.C. Section 1356 and 8 CFR Part 286; (vii) federal customs fees as described in 19 U.S.C. Section 58c and 19 CFR Section 24.22; and (viii) federal jet fuel taxes as described in Sections 4091 and 4092 of the Internal Revenue Code collected on behalf of and owed to the federal government, (b) any and all state and local income tax withholding, employment taxes and related charges and fees and similar taxes, charges and fees, including, but not limited to, state and local payroll withholding taxes, unemployment and supplemental unemployment taxes, disability taxes, workman’s or workers’ compensation charges and related charges and fees that are analogous to those described in Subtitle C of the Internal Revenue Code and that are described in or are analogous to Chapter 23 of Title 19 Delaware Code Annotated (2002) (referred to in this definition as “D.C.A.”) collected on behalf of and owed to state and local authorities, agencies and entities, (c) Passenger Facility Charges as described in Title 49 United States Code Section 40117 (2004) and Title 14 of the Code of Federal Regulations, Subchapter 1, Part 158 collected on behalf of and owed to various administrators, institutions, authorities, agencies and entities, (d) voluntary and/or other non-statutorily required employee payroll deductions, whether authorized by the employee, imposed by court order, agreed to pursuant to collective bargaining arrangement or otherwise, including (i) employee contributions made for the purpose of participating in any employer-sponsored retirement plan as described and defined in Section 401(k) of the Internal Revenue Code (including repayment of any 401(k) related loans made to the employee but excluding any funds matched and/or contributed by the employer on behalf of any employee), (ii) employee payments made for the purpose of participating in any employer-sponsored medical, dental or related health plan, (iii) employee payments made for the purpose of satisfying periodic union dues, (iv) employee payments made for the purpose of purchasing United States Savings Bonds, (v) employee payments made for the purpose of making deposits to an account at or making repayment of an extension of credit from an employer-associated credit union, (vi) employee payments made for the purpose of purchasing life, accident, disability or other insurance, (vii) employee payments made for the purpose of participating in any employer-sponsored cafeteria plan as described and defined in Section 125 of the Internal Revenue Code, (viii) employee-directed donations to charitable organizations and (ix) levys, garnishments and other attachments on employee compensation (as described in Sections 6305 and 6331 of the Internal Revenue Code, in Section 4913 of Title 10 of D.C.A. or in any analogous provision of other applicable federal, state or local law) collected on behalf of

any Governmental Authority or any other Person authorized to receive funds of the type described in this clause (d), and (e) state and local sales, use, fuel and excise taxes and any other taxes, government charges and employee-related taxes and charges.

(a) Required Available Cash. The Obligors shall not, at the close of business on the last Business Day in any calendar week during the periods set forth in the tables below, permit the Available Cash Amount to be less than the lesser of (x) the Fixed Cash Amount (as defined below) for such period and (y) the Variable Cash Amount (as defined below) at such time (such lesser amount, the “Required Available Cash Amount”).

The term “Fixed Cash Amount” means, for each period, the amount set forth in the table below across from such period:

Period	Fixed Cash Amount
Effective Date through December 31, 2006	\$40,000,000
January 1, 2007 through March 31, 2007	\$35,000,000
April 1, 2007 through September 30, 2007	\$30,000,000
October 1, 2007 through March 31, 2008	\$25,000,000
April 1, 2008 through September 30, 2009	\$20,000,000

The term “Variable Cash Amount” means, with respect to the remainder of any period set forth in the table above following a prepayment of the Loan pursuant to Section [ ] or [ ] and each period thereafter, an amount equal to (x) the Fixed Cash Amount for such period less (y) the sum of (I) twenty-five percent (25%) of the aggregate amount of prepayments of the Loan made from proceeds of Asset Sales pursuant to Section [ ] and (II) fifty percent (50%) of the aggregate amount of all prepayments of the Loan made pursuant to Section [ ] (but not including any Prepayment Premium paid in connection therewith) and pursuant to Section [ ] (other than Section [ ]); provided, however, that in no event shall the Variable Cash Amount be less than \$20,000,000 for any such period.

(b) Leverage Ratio. Subject to subsection [ ] below, the Obligors shall not permit the ratio of consolidated Indebtedness of the Parent as of the dates specified below to Consolidated EBITDAR of the Parent (calculated for the four fiscal quarters ending on the dates specified below, or in the case of the fiscal quarter ending on March 31, 2007, annualizing (on a simple arithmetic basis) the Consolidated EBITDAR of the Parent for the three fiscal quarters ending on such date) as of the dates specified below to be greater than the applicable ratio set forth below:

Fiscal Quarter Ending:	Applicable Consolidated Indebtedness to EBITDAR Ratio
March 31, 2007	6.75 : 1.00
June 30, 2007	7.00 : 1.00
September 30, 2007	7.00 : 1.00
December 31, 2007	7.00 : 1.00
March 31, 2008	6.75 : 1.00
June 30, 2008	6.50 : 1.00
September 30, 2008	6.25 : 1.00

<b>Fiscal Quarter Ending:</b>	<b>Applicable Consolidated Indebtedness to EBITDAR Ratio</b>
December 31, 2008	6.00 : 1.00
March 31, 2009	5.75 : 1.00
June 30, 2009	5.50 : 1.00

(c) Fixed Charges Ratio. Subject to subsection [ ] below, the Obligors shall not permit the ratio of Consolidated EBITDAR of the Parent (calculated for the four fiscal quarters ending on the dates specified below, or in the case of the fiscal quarter ending on March 31, 2007, the three fiscal quarters ending on such date) to Consolidated Fixed Charges of the Parent for such four fiscal quarters (or in the case of the fiscal quarter ending on March 31, 2007, the three fiscal quarters ending on such date) to be less than the applicable ratio specified below:

<b>Fiscal Quarter Ending:</b>	<b>Applicable Consolidated EBITDAR to Consolidated Fixed Charges Ratio</b>
March 31, 2007	0.850 : 1.00
June 30, 2007	0.850 : 1.00
September 30, 2007	0.850 : 1.00
December 31, 2007	0.850 : 1.00
March 31, 2008	0.900 : 1.00
June 30, 2008	0.925 : 1.00
September 30, 2008	0.950 : 1.00
December 31, 2008	0.975 : 1.00
March 31, 2009	1.000 : 1.00
June 30, 2009	1.025 : 1.00

(d) Discontinued Operations. If (i) at the end of any fiscal quarter the Obligors fail to comply with one or both of the financial covenants contained subsections [ ] or [ ] above (for purposes of this subsection, a “Defaulted Covenant”) and (ii) during the four-quarter period (or in the case of the fiscal quarter ending on March 31, 2007, the three-quarter period) referred to in such subsections the Obligors had discontinued a Substantial Portion (as defined below) of their scheduled air service, then no Default or Event of Default shall result from or be deemed to exist as a result of the Obligors failure to comply with such Defaulted Covenant if and for so long as (A) the Obligors are in compliance as of the end of such fiscal quarter with such Defaulted Covenant calculated on a pro forma basis to exclude all operating losses associated with such discontinued operations and cash and non-cash charges incurred in connection with their discontinuance, as well as implied debt associated with aircraft rents on leases terminated in connection with such discontinued operations, and (B) the ratio of Collateral Value to the outstanding principal amount of the Loan is not less than 1.25 to 1.00 as of the end of such fiscal quarter and the last Business Day of each calendar month thereafter until the close of the next succeeding fiscal quarter with respect to which the Obligors are in compliance with such Defaulted Covenant without regard to clause (A) of this subsection [ ]. To evidence the Obligors’ compliance with this subsection [ ], the Parent shall provide an Officer’s Certificate

to the Administrative Agent as of the end of the fiscal quarter referred to in clause (i) above (which shall be delivered no later than the delivery of the financial statements for such period required to be delivered pursuant to Section [ ] or [ ]) and within five (5) Business Days after the end of each calendar month thereafter (until such time as the Obligors are in compliance with such Defaulted Covenant without regard to clause (A) of this subsection [ ]), certifying as to the Obligors' compliance with the matters specified in clauses (A) and (B) above (as applicable) as of such date. For purposes of this subsection [ ], the term "Substantial Portion" means a reduction of twenty percent (20%) or more of the average daily available seat miles of the Obligors in their scheduled service [for the [calendar quarter] preceding such discontinuance].