

**Exhibit B**

**ASSET PURCHASE AGREEMENT**

**dated August \_\_, 2005**

**between**

**CSC Investment Group, Inc.,**

**C8 Airlines, Inc. (f/k/a Chicago Express Airlines, Inc.)**

**and**

**ATA Airlines, Inc.**

## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "**Agreement**") is made as of August \_\_, 2005 (the "**Execution Date**") by and between CSC Investment Group, Inc., an Illinois corporation ("**CSC**"), C8 Airlines, Inc., a Georgia corporation and formerly named Chicago Express Airlines, Inc., a debtor in possession under Chapter 11 of the Bankruptcy Code ("**CEA**"), and ATA Airlines, Inc., an Indiana corporation and a debtor in possession under Chapter 11 of the Bankruptcy Code ("**ATA**"; CEA and ATA are collectively referred to as "**Sellers**").

This Agreement contemplates two transactions: (i) the first involving CEA and CSC, whereby CSC will purchase the CEA Engine from CEA, (ii) the second involving ATA, CSC and Colgan Air, Inc., a Virginia corporation ("**Colgan**"). In the second transaction, CSC is entering into this Agreement to purchase the Saab Assets but the Parties have agreed to allow CSC to designate Colgan as the party to whom ATA will directly transfer title to the Saab Assets and who will be responsible to ATA for the Saab Purchase Price, other than the Cash Portion of the Saab Purchase, which shall be paid to ATA to CSC. CSC and Colgan are parties to a separate agreement, to which neither CEA or ATA are a party, whereby CSC has agreed to designate Colgan as the party to whom ATA shall transfer title to the Saab Assets pursuant to this Agreement (the "**CSC/Colgan Agreement**").

Certain of the terms used in this Agreement are defined in Article IX of this Agreement.

In consideration of the representations, warranties and covenants contained herein, the Parties agree as follows.

### ARTICLE I

#### THE ACQUIRED ASSETS PURCHASE

##### 1.1. Purchase and Sale of Assets.

(a) Upon and subject to the terms and conditions of this Agreement, CSC shall purchase from CEA, and CEA shall sell, transfer, convey, assign and deliver to CSC, at the Closing, for the consideration specified in this Agreement, all of CEA's rights, title and interests in, to and under the CEA Engine, free and clear of all claims, liens, restrictions, encumbrances or security interests of any nature as provided in the Approval Order.

(b) Upon and subject to the terms and conditions of this Agreement, Colgan shall purchase from ATA, and ATA shall sell, transfer, convey, assign and deliver to Colgan, at the Closing, for the consideration specified in this Agreement, all of ATA's rights, title and interests in, to and under the Saab Assets, free and clear of all claims, liens, restrictions, encumbrances or security interests of any nature as provided in the Approval Order, other than the security interest and lien in favor of ATA created by the Chattel Mortgage.

1.2. No Assumption of Liabilities. CSC shall not assume or become responsible for, and each of Sellers shall remain liable for, any of their respective liabilities, obligations and indebtedness.

1.3. Designation of Colgan Air, Inc. Pursuant to the CSC/Colgan Agreement, CSC has designated Colgan as the party to whom title to the Saab Assets should be transferred by ATA on the Closing Date, subject to Colgan's satisfaction of the applicable conditions set forth in this Agreement.

1.4. Purchase Price.

(a) The CEA Purchase Price shall be paid by CSC to CEA in full at the Closing on the Closing Date by the wire transfer of immediately available funds to CEA in accordance with the CEA Wire Instructions.

(b) The Cash Portion of the Saab Purchase Price shall be paid by CSC to ATA at the Closing on the Closing Date by the release to ATA of the Earnest Money Deposit in an amount equal to the Cash Portion of the Saab Purchase Price. The remainder of the Saab Purchase Price shall be paid by the execution, issuance and delivery by Colgan to ATA of the Purchase Note at the Closing on the Closing Date and the concurrent execution and delivery by Colgan to ATA of the Chattel Mortgage. If Colgan subsequently defaults under the terms of the Purchase Note and/or the Chattel Mortgage, ATA shall give CSC notice of such default (the "Default Notice") and CSC shall have the right to purchase the Purchase Note and Chattel Mortgage from ATA by payment, in immediately available funds, unless otherwise agreed by ATA in writing, to ATA by CSC, within fifteen (15) days from the date of the Default Notice, of the full amount then due to ATA by Colgan under the Purchase Note, Chattel Mortgage or any other of the Ancillary Agreements.

1.5. Earnest Money Deposit.

(a) Concurrently with the execution of this Agreement CSC shall make the Earnest Money Deposit.

(b) \$50,000.00 of the Earnest Money Deposit shall be released to CEA upon Closing of the CEA Engine Transaction and credited against the CEA Purchase Price and the remainder of the Earnest Money Deposit, being \$400,000.00, shall be released to ATA upon Closing of the Saab Assets Transaction and credited against the Saab Purchase Price.

(c) The portion of the Earnest Money Deposit relating to the CEA Engine Transaction shall be forfeited and paid to CEA to be applied and set off against CEA's damages in the event CEA or Sellers terminate this Agreement (either in its entirety, or solely with respect to the CEA Engine Transaction) pursuant to Section 8.1(d) of this Agreement or pursuant to Section 8.1(g), other than a termination pursuant to Section 8.1(g) for the failure of the condition precedents under Section 6.4(c) or (d) or Section 6.5(c) or (d) of this Agreement. The forfeiture of the portion of the Earnest Money Deposit relating to the CEA Engine Transaction to CEA pursuant to the terms of this Section 1.5(c) shall be CEA's sole remedy in the event of any termination of this Agreement (either in its entirety, or solely with respect to the CEA Engine Transaction) pursuant to Sections 8.1(d) and (g) and CEA shall have no other claim against CSC.

(d) The portion of the Earnest Money Deposit relating to the Saab Assets Transaction shall be forfeited and paid to ATA to be applied and set off against ATA's damages in the event ATA or Sellers terminate this Agreement (either in its entirety, or solely with respect to the Saab Assets Transaction) pursuant to Section 8.1(e) of this Agreement or pursuant to Section 8.1(g), other than a termination pursuant to Section 8.1(g) for the failure of the condition precedents under Section 6.4(c) or (d) or Section 6.5(c) or (d) of this Agreement. The forfeiture of the Earnest Money Deposit to ATA pursuant to the terms of this Section 1.5(d) shall be ATA's sole remedy in the event of any termination of this Agreement (either in its entirety, or solely with respect to the Saab Assets Transaction) pursuant to Sections 8.1(e) and (g) and ATA shall have no other claim against CSC.

(e) The portion of the Earnest Money Deposit relating to the CEA Engine shall be repaid to CSC only in the event of (i) a termination of this Agreement (either in its entirety, or solely with respect to the CEA Engine Transaction) by CSC pursuant to Section 8.1(b) or (f) of this Agreement; (ii) a termination of this Agreement (either in its entirety, or solely with respect to the CEA Engine Transaction) by either of Sellers pursuant to Section 8.1(g), other than a termination pursuant to Section 8.1(g) for the failure of the condition precedents under Section 6.4(a), (b), (e), Section 6.5(a), (b), (e) (f), (g), (h) or (i) or Section 6.6(a) or (b); or (iii) in the event of a termination of this Agreement (either in its entirety, or solely with respect to the CEA Engine Transaction) by Sellers and CSC pursuant to Section 8.1(a) of this Agreement. The repayment of the portion of the Earnest Money Deposit relating to the CEA Engine Transaction to CSC pursuant to the terms of this Section 1.5(e) shall be CSC's sole remedy in the event of any termination of the portion of this Agreement relating to the CEA Engine Transaction pursuant to Sections 8.1(b) or (f) and CSC shall have no other claim against either of Sellers.

(f) The portion of the Earnest Money Deposit relating to the Saab Assets Transaction shall be repaid to CSC only in the event of (i) a termination of this Agreement by CSC pursuant to Section 8.1(c) or (f) of this Agreement; (ii) a termination of this Agreement by either of Sellers pursuant to Section 8.1(g), other than a termination pursuant to Section 8.1(g) for the failure of the condition precedents under Section 6.4(a), (b), (e), Section 6.5(a), (b), (e) (f), (g), (h), or (i) or Section 6.6(a) or (b) ; or (iii) in the event of a termination of this Agreement (either in its entirety, or solely with respect to the Saab Assets Transaction) by Sellers and CSC pursuant to Section 8.1(a) of this Agreement. The repayment of the portion of the Earnest Money Deposit relating to the Saab Assets Transaction to CSC pursuant to the terms of this Section 1.5(f) shall be CSC's sole remedy in the event of any termination of this Agreement pursuant to Sections 8.1(c) or (f) and CSC shall have no other claim against either of Sellers.

(g) In the event of a dispute between Sellers, or either of them, and CSC regarding entitlement to and disposition of the Earnest Money Deposit, the dispute shall be resolved by the Bankruptcy Court on motion by either Party.

(h) The Parties and Colgan are negotiating an agreement to set forth the terms and conditions on which Colgan may take possession of a portion of the Saab Assets prior to the Closing Date (the "Pre-Closing Possession Agreement"). The Pre-Closing Possession Agreement may provide that a portion of the Earnest Money Deposit may be forfeited and paid to ATA in circumstances different than those set forth in this Agreement, in such case the terms

of the Pre-Closing Possession Agreement shall control with respect to such portion of the Earnest Money Deposit.

1.6. The Closing.

(a) The Closing shall take place on the Closing Date by payment of the CEA Purchase Price to CEA and the Saab Purchase Price to ATA on or before the Closing Date and by the delivery, on or before the Closing Date, of the Ancillary Agreements required to be delivered by this Agreement prior to or at Closing to the offices of Crowe and Dunlevy in Oklahoma City for filing with the FAA in its Oklahoma City, Oklahoma offices and distribution of the executed documents to the Parties on the Closing Date. All Transactions at the Closing shall be deemed to take place simultaneously, and no transaction shall be deemed to have been completed and no documents or certificates shall be deemed to have been delivered until all other transactions are completed and all other documents and certificates are delivered.

(b) At the Closing:

(i) CEA and CSC shall execute a bill of sale and acceptance in form and substance the same as **Exhibit A** to this Agreement (the "**CEA Bill of Sale**"), and such other instruments of conveyance and assignment as CSC may reasonably request in order to effect the sale, transfer, conveyance and assignment to CSC of the CEA Engine;

(ii) ATA shall execute a bill of sale and acceptance in form and substance the same as **Exhibit B-1** to this Agreement (the "**ATA Bill of Sale**"), two FAA Bills of Sale in the same form as **Exhibits B-2(a) and B-2(b)** to this Agreement (collectively, the "**FAA Bills of Sale - Saab Assets**") and such other instruments of conveyance and assignment as Colgan may reasonably request in order to effect the sale, transfer, conveyance and assignment to Colgan of the Saab Assets;

(iii) CSC shall pay to CEA, payable by wire transfer of immediately available funds in accordance with the CEA Wire Instructions, the CEA Purchase Price (net of the portion of the Earnest Money Deposit released to CEA at the Closing);

(iv) An amount equal to the Cash Portion of the Saab Purchase Price shall be released from the Earnest Money Deposit and paid to ATA and applied against the Saab Purchase Price;

(v) CSC shall cause Colgan to issue, execute and deliver to ATA the Purchase Note representing the remaining balance of the Saab Purchase Price after deduction of the Cash Portion of the Saab Purchase Payment;

(vi) CSC shall cause Colgan to execute and deliver to ATA the Chattel Mortgage;

(vii) ATA shall deliver to CSC a written opinion of specially retained FAA counsel, addressed to CSC, stating that ATA is the FAA-registered owner of the airframes and engines constituting a portion of the Saab Assets;

(viii) CEA shall deliver to CSC a written opinion of specially retained FAA counsel, addressed to CSC, stating that CEA is the FAA-registered owner of the CEA Engine;

(ix) CEA shall put, or cause GE to put, CSC in possession and/or control of the CEA Engine at GE's maintenance facility located in [REDACTED]; and

(x) ATA shall deliver to Colgan, or otherwise put Colgan in possession and control of, all of the Saab Assets in Indianapolis, Indiana, at Indianapolis International Airport; provided, however, that if any portion of the Saab Assets is, on the Closing Date, at a location other than Indianapolis International Airport pursuant to the Pre-Closing Possession Agreement, such portion of the Saab Assets shall be delivered to Colgan at such location.

1.7. Further Assurances. At any time and from time to time after the Closing, at the request of CSC and without further consideration, CEA shall execute and deliver such other instruments of sale, transfer, conveyance and assignment and take such actions as CSC may reasonably request to more effectively transfer, convey and assign to CSC, and to confirm CSC's rights to, title in and ownership of, the CEA Engine and to place CSC in actual possession and operating control thereof. At any time and from time to time after the Closing, at the request of CSC or Colgan and without further consideration, ATA shall execute and deliver such other instruments of sale, transfer, conveyance and assignment and take such actions as CSC or Colgan may reasonably request to more effectively transfer, convey and assign to Colgan, and to confirm Colgan's rights to, title in and ownership of, the Saab Assets and to place Colgan in actual possession and operating control thereof.

1.8. Acknowledgment. CSC acknowledges and agrees that CSC is acquiring the CEA Engines and Colgan is acquiring the Saab Assets "As Is" and "Where is," **WITHOUT WARRANTY, EXPRESS OR IMPLIED, OTHER THAN AS SET FORTH EXPRESSLY IN THIS AGREEMENT. SELLERS EACH DISCLAIM ALL OTHER EXPRESS WARRANTIES AND DISCLAIM ALL IMPLIED WARRANTIES, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.** This warranty disclaimer acknowledgement shall be included in the ATA Bill of Sale and the CEA Bill of Sale.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES OF CEA

CEA represents and warrants to CSC that the statements contained in this Article II are true and correct as of the date of this Agreement and will be true and correct as of the

Closing as though made as of the Closing. CEA's representations and warranties shall survive the Closing.

2.1. Organization, Qualification and Corporate Power. CEA is a corporation duly organized, validly existing and in corporate good standing under the laws of the State of Georgia. CEA is duly qualified to conduct business and is in corporate good standing under the laws of each jurisdiction where the nature of the business conducted by it or the properties owned or leased by it require qualification, except for those jurisdictions in which the failure to be so qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a Seller Material Adverse Effect. CEA has all requisite corporate power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

2.2. Authorization of CEA Engine Transaction. CEA has the requisite corporate power and authority to execute this Agreement and the Ancillary Agreements, and pursuant to the Approval Order, CEA has the requisite power and authority to perform its obligations under this Agreement and the Ancillary Agreements. The execution and delivery of this Agreement and the Ancillary Agreements have been (or will be at the time of execution thereof) duly authorized by all necessary corporate or other organizational action on the part of CEA. This Agreement has been duly and validly executed and delivered by CEA and constitutes, and each of the Ancillary Agreements, upon its execution and delivery by CEA, will constitute, a valid and binding obligation of CEA, enforceable against CEA in accordance with its terms.

2.3. Noncontravention. Neither the execution and delivery by CEA of this Agreement or the Ancillary Agreements, nor the consummation by CEA of the CEA Engine Transaction will (a) conflict with or violate any provision of the certificate of incorporation or by-laws of CEA, (b) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any party the right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which CEA is a party or by which CEA is bound or to which any of its assets is subject, except for (i) any conflict, breach, default, acceleration, termination, modification or cancellation which, individually or in the aggregate, would not have a Seller Material Adverse Effect and would not adversely affect the consummation of the CEA Engine Transaction or (ii) any notice, consent or waiver the absence of which, individually or in the aggregate, would not have a Seller Material Adverse Effect and would not adversely affect the consummation of the CEA Engine Transaction, (c) result in the imposition of any security interest upon any assets of CEA, or (d) violate any order, writ, injunction, decree, statute, rule or regulation applicable to CEA or any of its respective properties or assets.

2.4. Ownership and Condition of Assets. CEA is the true and lawful owner, and has good title to, the CEA Engine, subject to liens and security interests which will be released at the Closing as provided in the Approval Order. CEA has the authority to transfer the CEA Engine to CSC, free and clear of all claims, liens, restrictions, encumbrances or security interests of any nature as provided in the Approval Order.



2.5. Disclosure. No representation or warranty by CEA contained in this Agreement or any other document, certificate or other instrument delivered or to be delivered by or on behalf of CEA pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading.

## **ARTICLE III**

### **REPRESENTATIONS AND WARRANTIES OF ATA**

ATA represents and warrants to CSC that the statements contained in this Article III are true and correct as of the date of this Agreement and will be true and correct as of the Closing as though made as of the Closing. ATA's representations and warranties shall survive the Closing.

3.1. Organization, Qualification and Corporate Power. ATA is a corporation duly organized, validly existing and in corporate good standing under the laws of the State of Indiana. ATA is duly qualified to conduct business and is in corporate good standing under the laws of each jurisdiction where the nature of the business conducted by it or the properties owned or leased by it require qualification, except for those jurisdictions in which the failure to be so qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a Seller Material Adverse Effect. ATA has all requisite corporate power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

3.2. Authorization of Saab Assets Transaction. ATA has the requisite corporate power and authority to execute this Agreement and the Ancillary Agreements, and pursuant to the Approval Order, ATA has the requisite power and authority to perform its obligations under this Agreement and the Ancillary Agreements. The execution and delivery of this Agreement and the Ancillary Agreements have been (or will be at the time of execution thereof) duly authorized by all necessary corporate or other organizational action on the part of ATA. This Agreement has been duly and validly executed and delivered by ATA and constitutes, and each of the Ancillary Agreements, upon its execution and delivery by ATA, will constitute, a valid and binding obligation of ATA, enforceable against ATA in accordance with its terms.

3.3. Noncontravention. Neither the execution and delivery by ATA of this Agreement or the Ancillary Agreements, nor the consummation by ATA of the Saab Assets Transaction will (a) conflict with or violate any provision of the certificate of incorporation or by-laws of ATA, (b) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any party the right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which ATA is a party or by which ATA is bound or to which any of its assets is subject, except for (i) any conflict, breach, default, acceleration, termination, modification or cancellation which, individually or in the aggregate, would not have a Seller Material Adverse Effect and would not adversely affect the consummation of the Saab Assets

Transaction or (ii) any notice, consent or waiver the absence of which, individually or in the aggregate, would not have a Seller Material Adverse Effect and would not adversely affect the consummation of the Saab Assets Transaction, (c) result in the imposition of any security interest upon any assets of ATA or (d) violate any order, writ, injunction, decree, statute, rule or regulation applicable to ATA or any of its respective properties or assets.

3.4. Ownership and Condition of Assets. ATA is the true and lawful owner, and has good title to, all of the Saab Assets, subject to liens and security interests which will be released at the Closing as provided in the Approval Order. ATA has the authority to transfer the Saab Assets to Colgan, free and clear of all claims, liens, restrictions, encumbrances or security interests of any nature as provided in the Approval Order. Schedule 3.4 sets forth a description of the Saab Assets.

3.5. Disclosure. No representation or warranty by ATA contained in this Agreement or any other document, certificate or other instrument delivered or to be delivered by or on behalf of ATA pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading.

## **ARTICLE IV**

### **REPRESENTATIONS AND WARRANTIES OF CSC**

CSC represents and warrants to Sellers that the statements contained in this Article III are true and correct as of the date of this Agreement and will be true and correct as to the Closing as though made as of the Closing. CSC's representations and warranties shall survive the Closing.

4.1. Organization and Corporate Power. CSC is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois. CSC is duly qualified to conduct business and is in corporate good standing under the laws of each jurisdiction where the nature of the business to be conducted by it after the Closing or the properties to be owned or leased by it after the Closing require qualification. CSC has all requisite corporate power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

4.2. Authorization of the Transactions. CSC has all requisite power and authority to execute and deliver this Agreement and the Ancillary Agreements and to perform its obligations hereunder and thereunder. The execution and delivery by CSC of this Agreement and the Ancillary Agreements and the consummation by CSC of the Transactions have been duly and validly authorized by all necessary corporate action on the part of CSC. This Agreement has been duly and validly executed and delivered by CSC and constitutes a valid and binding obligation of CSC, enforceable against it in accordance with its terms.

4.3. Noncontravention. Neither the execution and delivery by CSC of this Agreement or the Ancillary Agreements, nor the consummation by CSC of the Transactions will

(a) conflict with or violate any provision of the Certificate of Incorporation or by-laws of CSC, (b) conflict with, result in breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any party any right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which CSC is a party or by which it is bound or to which any of its assets is subject, or (c) violate any order, writ, injunction, decree, statute, rule or regulation applicable to CSC or any of its properties or assets.

## **ARTICLE V**

### **PRE-CLOSING COVENANTS**

5.1. Closing Efforts. Each of the Parties shall use its Reasonable Best Efforts to take all actions and to do all things necessary, proper or advisable to consummate the Transactions, including using its Reasonable Best Efforts to ensure that (i) its representations and warranties remain true and correct in all material respects through the Closing Date and (ii) the conditions to the obligations of the other Party to consummate the Transactions are satisfied.

## **ARTICLE VI**

### **CONDITIONS TO CLOSING**

6.1. Conditions to Obligations of both CSC and Sellers. Consummation of the Transactions is not subject to, or conditioned upon, any further due diligence by CSC or Colgan or to any financing or other capital availability contingency.

6.2. Conditions to Obligations of CSC (CEA Engine Transaction). The obligation of CSC to consummate the CEA Engine Transaction to be consummated at the Closing is subject to the satisfaction of, at or prior to Closing, all of the following additional conditions, any one or more of which may be waived in writing at the option of CSC:

(a) All representations and warranties of CEA in this Agreement or in any exhibit, schedule or document delivered pursuant hereto shall be true and correct in all material respects, in each case when made and on and as of the Closing Date as if made on and as of that date (other than any such representations or warranties that expressly speak only as of an earlier date).

(b) All of the terms, covenants and conditions to be complied with and performed by CEA on or prior to the Closing Date shall have been complied with or performed in all material respects.

(c) No action, suit or proceeding (including, without limitation, any proceeding over which the Bankruptcy Court has jurisdiction under 28 U.S.C. §157(b) and (c)) shall be pending or overtly threatened by or before any Governmental Authority or pending or overtly threatened by any other Person to enjoin, restrain, prohibit or obtain substantial damages or significant equitable relief in respect of or related to the CEA Engine Transaction, or that would be reasonably likely to prevent or make illegal the consummation of the CEA Engine Transaction or that, if adversely determined, could be materially adverse to the operation or use

of the CEA Engine, and any such actions, suits or proceedings that have theretofore been brought and determined shall have become final orders without having any of the foregoing and without the imposition of any condition or requirement on CSC.

(d) No material loss of or damage to the CEA Engine shall have occurred since the Execution Date, except for (i) damage that has already been fully repaired or is covered by insurance and which will be repaired post-closing within a reasonable period, and (ii) losses that have been replaced with assets of comparable or higher quality.

(e) The Approval Order shall have been entered by the Bankruptcy Court.

6.3. Conditions to Obligations of CSC (Saab Assets Transaction). The obligation of CSC to consummate the Saab Assets Transaction to be consummated at the Closing is subject to the satisfaction of, at or prior to Closing, all of the following additional conditions, any one or more of which may be waived in writing at the option of CSC:

(a) All representations and warranties of ATA in this Agreement or in any exhibit, schedule or document delivered pursuant hereto shall be true and correct in all material respects, in each case when made and on and as of the Closing Date as if made on and as of that date (other than any such representations or warranties that expressly speak only as of an earlier date).

(b) All of the terms, covenants and conditions to be complied with and performed by ATA on or prior to the Closing Date shall have been complied with or performed in all material respects.

(c) No action, suit or proceeding (including, without limitation, any proceeding over which the Bankruptcy Court has jurisdiction under 28 U.S.C. §157(b) and (c)) shall be pending or overtly threatened by or before any Governmental Authority or pending or overtly threatened by any other Person to enjoin, restrain, prohibit or obtain substantial damages or significant equitable relief in respect of or related to the Saab Assets Transaction, or that would be reasonably likely to prevent or make illegal the consummation of the Saab Assets Transaction or that, if adversely determined, could be materially adverse to the operation or use of the Saab Assets, and any such actions, suits or proceedings that have theretofore been brought and determined shall have become final orders without having any of the foregoing and without the imposition of any condition or requirement on CSC.

(d) No material loss of or damage to the Saab Assets shall have occurred since the Execution Date, except for (i) damage that has already been fully repaired or is covered by insurance and which will be repaired post-closing within a reasonable period, and (ii) losses that have been replaced with assets of comparable or higher quality.

(e) The Approval Order shall have been entered by the Bankruptcy Court.

(f) ATA shall have obtained from General Electric Engine Services (“GE”) written confirmation deemed satisfactory to CSC and Colgan that the Saab Engines will be accepted for enrollment by Colgan in the GE ECMP maintenance program. It is understood that this confirmation by GE will be subject to certain conditions being satisfied by Sellers. CSC

shall not deem the confirmation to be unsatisfactory if Sellers are prepared to satisfy at or prior to the Closing the GE conditions.

6.4. Conditions to Obligations of CEA (CEA Engine Transaction). The obligation of CEA to consummate the CEA Engine Transaction to be consummated at the Closing is subject to the satisfaction of, at or prior to Closing, all of the following additional conditions, any one or more of which may be waived in writing at the option of CEA:

(a) All representations and warranties of CSC made in this Agreement or which are to be made in any exhibit, schedule or document delivered pursuant hereto, including the Ancillary Agreements, shall be true and correct in all respects (with respect to representations and warranties qualified or limited by materiality) or in all material respects (with respect to representations and warranties not so qualified or limited), in each case when made and as of the Closing Date as if made on and as of that date (other than such representations or warranties that expressly speak only as of an earlier date).

(b) All of the terms, covenants and conditions to be complied with and performed by CSC on or prior to the Closing Date shall have been complied with or performed in all material respects.

(c) No action, suit or proceeding (including, without limitation, any proceeding over which the Bankruptcy Court has jurisdiction under 28 U.S.C. § 157(b) and (c)) shall be pending or overtly threatened by or before any Governmental Authority or pending or overtly threatened by any other Person to enjoin, restrain, prohibit or obtain substantial damages or significant equitable relief in respect of or related to the CEA Engine Transaction, or that would be reasonably likely to prevent or make illegal the consummation of the CEA Engine Transaction, and any such actions, suits or proceedings that have theretofore been brought and determined shall have become final orders without having any of the foregoing and without the imposition of any condition or requirement on CEA.

(d) The Approval Order shall have been entered by the Bankruptcy Court.

(e) No material adverse change in the financial condition of CSC shall have occurred since the Execution Date.

6.5. Conditions to Obligations of ATA (Saab Assets Transaction). The obligation of ATA to consummate the Saab Assets Transaction to be consummated at the Closing is subject to the satisfaction of, at or prior to Closing, all of the following additional conditions, any one or more of which may be waived in writing at the option of ATA:

(a) All representations and warranties of CSC and Colgan made in this Agreement or which are to be made in any exhibit, schedule or document delivered pursuant hereto, including the Ancillary Agreements, shall be true and correct in all respects (with respect to representations and warranties qualified or limited by materiality) or in all material respects (with respect to representations and warranties not so qualified or limited), in each case when made and as of the Closing Date as if made on and as of that date (other than such representations or warranties that expressly speak only as of an earlier date).

(b) All of the terms, covenants and conditions to be complied with and performed by CSC and Colgan on or prior to the Closing Date shall have been complied with or performed in all material respects.

(c) No action, suit or proceeding (including, without limitation, any proceeding over which the Bankruptcy Court has jurisdiction under 28 U.S.C. § 157(b) and (c)) shall be pending or overtly threatened by or before any Governmental Authority or pending or overtly threatened by any other Person to enjoin, restrain, prohibit or obtain substantial damages or significant equitable relief in respect of or related to the Saab Assets Transaction, or that would be reasonably likely to prevent or make illegal the consummation of the Saab Assets Transaction, and any such actions, suits or proceedings that have theretofore been brought and determined shall have become final orders without having any of the foregoing and without the imposition of any condition or requirement on ATA.

(d) The Approval Order shall have been entered by the Bankruptcy Court.

(e) Colgan shall have executed and delivered to Sellers such written representations and warranties reasonably required by Sellers demonstrating Colgan's qualifications as a certified air carrier under 49 U.S.C. §§ 41102 and 44705, and Colgan's standing, corporate authorization and capacity to execute and deliver the ATA Bill of Sale, Chattel Mortgage, Purchase Note and any other of the Ancillary Agreements.

(f) Colgan shall have delivered to Sellers the most recent year-end financial statements (balance sheet and statement of income, at a minimum) for Colgan and such other financial statements requested by ATA reasonably required by ATA to assess Colgan's creditworthiness, and ATA shall have determined Colgan is financially acceptable as the maker of the Purchase Note.

(g) No material adverse change in the financial condition of Colgan shall have occurred since the Execution Date.

(h) Colgan shall have delivered to ATA the detailed report from its insurance broker required by section 9(d) of the Chattel Mortgage showing that all insurance required by section 9 of the Chattel Mortgage is in effect with ATA as additional insured and loss payee.

(i) Colgan and CSC shall have executed and delivered to ATA the Subordination Agreement.

6.6. CSC's Right to Proceed with the Saab Assets Transaction. If any of the conditions set forth in Sections 6.5(e), (f), (g) or (h) are not satisfied at or prior to Closing, and/or Colgan fails to issue and deliver to ATA the Purchase Note and/or fails to execute and deliver to ATA the Chattel Mortgage, CSC may elect to consummate the Saab Assets Transaction in place of Colgan and to take title to the Saab Assets Transaction by issuing and delivering to ATA the Purchase Note, by executing and delivering to ATA the Chattel Mortgage (appropriately modified to provide that CSC is the maker) and performing all other obligations of Colgan under this Agreement and/or any of the Ancillary Agreement, provided that all of the following additional conditions (in addition to the conditions set forth in Sections 6.5(a), (b), (c), and (d)) have been satisfied at or prior to Closing:

(a) No material adverse change in the financial condition of CSC shall have occurred since the Execution Date.

(b) CSC shall have delivered to ATA the detailed report from its insurance broker required by section 9(d) of the Chattel Mortgage showing that all insurance required by section 9 of the Chattel Mortgage is in effect with ATA as additional insured and loss payee.

Notwithstanding anything to the contrary contained herein, if CSC consummates the Saab Assets Transaction as provided in this Section 6.6, ATA shall not be required to put CSC in, and CSC shall not take, possession of the Saab Assets. ATA shall retain possession of the Saab Assets as secured creditor until all obligations of CSC to Sellers arising under, or evidenced in any way by, this Agreement or any of the Ancillary Agreements, including, but not limited to, the Purchase Note and Chattel Mortgage have been satisfied in full.

## **ARTICLE VII**

### **INDEMNIFICATION**

7.1. Indemnification by CEA. CEA shall defend and indemnify CSC, for a period of twelve (12) months after the Closing Date (provided if any claim for indemnity is made by CSC within such twelve (12) month period CEA's duty to indemnify shall continue until the claim is resolved), in respect of, and hold CSC harmless against, any liability, claim, loss, damage or expense incurred or suffered by CSC resulting from, relating to or constituting:

(a) any breach, as of the date of this Agreement or as of the Closing Date, of any representation or warranty of CEA contained in this Agreement or any Ancillary Agreement; any claim by a third party relating to CEA's ownership, use or operation of the CEA Engine prior to Closing; or any liabilities obligations or indebtedness of CEA, whether incurred or arising before or after Closing; or

(b) any failure to perform any covenant or agreement of CEA contained in this Agreement or any Ancillary Agreement.

7.2. Limitation on Indemnification by CEA. Notwithstanding anything contained herein to the contrary, CEA's aggregate liability for indemnity claims under Section 7.1 of this Agreement is limited to the CEA Purchase Price.

7.3. Indemnification by ATA. ATA shall indemnify CSC, for a period of twelve (12) months after the Closing Date (provided if any claim for indemnity is made by CSC within such twelve (12) month period ATA's duty to indemnify shall continue until the claim is resolved), in respect of, and hold CSC harmless against, any liability, claim, loss, damage or expense incurred or suffered by CSC resulting from, relating to or constituting:

(a) any breach, as of the date of this Agreement or as of the Closing Date, of any representation or warranty of ATA contained in this Agreement or any Ancillary Agreement; any claim by a third party relating to ATA's ownership, use or operation of the Saab Assets prior to Closing; or any liabilities obligations or indebtedness of ATA, whether incurred or arising before or after Closing; or

(b) any failure to perform any covenant or agreement of ATA contained in this Agreement or any Ancillary Agreement.

7.4. Limitation on Indemnification by ATA. Notwithstanding anything contained herein to the contrary, ATA's aggregate liability for indemnity claims under Section 7.3 of this Agreement is limited to the Saab Purchase Price.

7.5. Indemnification by CSC. CSC shall indemnify each of Sellers in respect of, and hold each of them harmless against, any and all any liability, claim, loss, damage or expense incurred or suffered by either of Sellers resulting from, relating to or constituting:

(a) any breach, as of the Closing Date, of any representation or warranty of CSC or Colgan contained in this Agreement or any Ancillary Agreement, other than any representation or warranty which obligates Colgan to pay ATA the balance of the Saab Purchase Price;

(b) any failure to perform any covenant or agreement of CSC or Colgan contained in this Agreement or any Ancillary Agreement, other than Colgan's obligation to pay ATA the balance of the Saab Purchase Price; and

(c) any sales, use or other taxes which may be claimed to be payable by CSC or Colgan in connection with the Transactions, or any failure of either of Sellers to collect any such taxes from CSC or Colgan.

## **ARTICLE VIII**

### **TERMINATION**

8.1. Termination of Agreement. CSC and Sellers may terminate this Agreement prior to Closing, as provided below:

(a) The Parties may terminate this Agreement (in its entirety or solely as it relates to either the CEA Engine Transaction and/or the Saab Assets Transaction) by mutual written consent;

(b) CSC may terminate this Agreement (solely with respect to the CEA Engine Transaction) by giving written notice to Sellers in the event CEA is in breach of any representation, warranty or covenant contained in this Agreement, and such breach, individually or in combination with any other such breach, (i) would cause the conditions set forth in clause (a) or (b) of Section 6.2 not to be satisfied and (ii) is not cured within five (5) days following delivery by CSC to Sellers of written notice of such breach;

(c) CSC may terminate this Agreement (solely with respect to the Saab Assets Transaction) by giving written notice to Sellers in the event ATA is in breach of any representation, warranty or covenant contained in this Agreement, and such breach, individually or in combination with any other such breach, (i) would cause the conditions set forth in clause (a) or (b) of Section 6.3 not to be satisfied and (ii) is not cured within five (5) days following delivery by CSC to Sellers of written notice of such breach;



(d) CEA may terminate this Agreement (solely with respect to the CEA Engine Transaction) by giving written notice to CSC in the event CSC is in breach of any representation, warranty or covenant contained in this Agreement, and such breach, individually or in combination with any other such breach, (i) would cause the conditions set forth in clauses (a) or (b) of Section 6.4 not to be satisfied and (ii) is not cured within five (5) days following delivery by CEA to CSC of written notice of such breach;

(e) ATA may terminate this Agreement (solely with respect to the Saab Assets Transaction) by giving written notice to CSC in the event CSC or Colgan is in breach of any representation, warranty or covenant contained in this Agreement or any of the Ancillary Agreements, and such breach, individually or in combination with any other such breach, (i) would cause the conditions set forth in clauses (a) or (b) of Section 6.5 not to be satisfied and (ii) is not cured within five (5) days following delivery by CEA to CSC of written notice of such breach;

(f) CSC may terminate this Agreement in its entirety by giving written notice to Sellers if the Closing of the Transactions shall not have occurred on or before **September \_\_, 2005**, by reason of the failure of any condition precedent under Section 6.2 and by reason of the failure of any condition precedent under Section 6.3 (unless the failure results primarily from a breach by CSC or Colgan of any representation, warranty or covenant contained in this Agreement or any of the Ancillary Agreements). CSC may terminate this Agreement solely with respect to either the CEA Engine Transaction or the Saab Assets Transaction by giving written notice to Sellers if the Closing of the CEA Engine Transaction or the Saab Assets Transaction shall not have occurred on or before **September \_\_, 2005**, by reason of the failure of any condition precedent under Section 6.2 or 6.3 (whichever is applicable) (unless the failure results primarily from a breach by CSC or Colgan of any representation, warranty or covenant contained in this Agreement or any of the Ancillary Agreements) ; or

(g) Sellers may terminate this Agreement in its entirety by giving written notice to CSC if the Closing of the Transactions shall not have occurred on or before **September \_\_, 2005**, by reason of the failure of any condition precedent under Section 6.4 and by reason of the failure of any condition precedent under Section 6.5 or 6.6 (unless the failure results primarily from a breach by Sellers of any representation, warranty or covenant contained in this Agreement). Sellers may terminate this Agreement solely with respect to either the CEA Engine Transaction or the Saab Assets Transaction by giving written notice to CSC if the Closing of the CEA Engine Transaction or the Saab Assets Transaction shall not have occurred on or before **September \_\_, 2005**, by reason of the failure of any condition precedent under Sections 6.4, 6.5 or 6.6 (whichever is applicable) (unless the failure results primarily from a breach by Sellers of any representation, warranty or covenant contained in this Agreement or any of the Ancillary Agreements).

8.2. Effect of Termination. If either Sellers or CSC terminates this Agreement pursuant to Section 8.1, all obligations of Sellers, and CSC hereunder shall terminate without any liability of either CSC and Colgan, on the one hand, and Sellers on the other hand, to the other (except for any liability for breaches of this Agreement).

## ARTICLE IX

### DEFINITIONS

For purposes of this Agreement, each of the following terms shall have the meaning set forth below.

“Acquired Assets” shall mean the CEA Engine and the Saab Assets.

“Affiliate” of any Person shall mean any Person directly or indirectly controlling, controlled by, or under common control with, such Person; provided, that for the purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, membership or partnership interests, election or appointment of directors, by contract or otherwise.

“Ancillary Agreements” shall mean the agreements referred to in this Agreement to be delivered prior to, at or after Closing, including the CEA Bill of Sale, the ATA Bill of Sale, the FAA Bills of Sale - Saab Assets, the Purchase Note and the Chattel Mortgage, whether to be executed by Sellers, CSC or Colgan.

“Approval Order” shall mean the order entered by the Bankruptcy Court authorizing this Agreement and the Transactions, which order shall be in form and substance substantially the same as **Exhibit D** to this Agreement.

“ATA Wire Instructions” shall mean the instructions provided by ATA to CSC at or prior to Closing for the wire transfer by CSC to ATA of the Cash Portion of the Saab Purchase Price.

“Bankruptcy Code” shall mean 11 U.S.C. §§ 101 et seq.

“Bankruptcy Court” shall mean the United States Bankruptcy Court for the Southern District of Indiana.

“Cash Portion of the Saab Purchase Price” shall mean a partial cash payment of the Saab Purchase Price in the amount of \$400,000.00.

“CEA Engine” shall mean the General Electric model CT7-9B aircraft engine bearing manufacturer's serial number GE-E785526.

“CEA Engine Transaction” shall mean the transaction set forth in this Agreement and any of the Ancillary Agreements related to the sale of the CEA Engine by CEA to CSC.

“CEA Purchase Price” shall mean \$250,000.00.

“CEA Wire Instructions” shall mean the instructions provided by CEA to CSC or Colgan at or prior to Closing for the wire transfer by CSC or Colgan to CEA of the CEA Purchase Price.

“Chapter 11 Cases” shall mean the bankruptcy cases of ATA Holdings Corp. and certain of its subsidiaries pending in the Bankruptcy Court, and administratively consolidated as Case No. 04-19866.

“Chattel Mortgage” shall mean a Security Agreement and Chattel Mortgage in form and substance the same as **Exhibit E** to this Agreement.

“Closing” shall mean the closing of the Transactions.

“Closing Date” shall mean a date and time mutually agreed upon by the Parties that is on or before **September \_\_, 2005**, or as otherwise agreed by the parties.

“DOT” shall mean the United States Department of Transportation.

“Earnest Money Deposit” shall mean the cash deposit CSC shall deposit with Sellers, to be held in the trust account of Sellers' counsel, Baker & Daniels LLP, in the sum of \$450,000.00 (\$50,000 of which shall be allocable to the CEA Engines, the remaining \$400,000 shall be allocable to the Saab Assets) to secure performance by CSC of the terms of this Agreement, upon its execution and to secure performance by Colgan of its obligations under the Ancillary Agreements.

“FAA” shall mean the Federal Aviation Administration.

“Governmental Authority” shall mean any court, arbitral tribunal, administrative agency or commission or other governmental or regulatory authority or agency.

“Parties” shall mean CSC and Sellers, each of which may individually be referred to as a “Party.”

“Person” shall mean and include an individual, partnership, association, joint venture, corporation, limited liability company, limited liability partnership, trust, trustee, any other entity or organization and any governmental entity.

“Purchase Note” shall mean a negotiable promissory note in form and substance the same as **Exhibit F** to this Agreement.

“Reasonable Best Efforts” shall mean best efforts, to the extent commercially reasonable.

“Saab Assets” shall mean the two aircraft and related engines and propellers more particularly described on Schedule 3.4, together with all appliances, parts, instruments, appurtenances, accessories and equipment (including, without limitation, communication and radar equipment) owned by ATA and on the Execution Date incorporated or installed in or attached to any of such aircraft, and the following books, records and documents of ATA, to the

extent they exist, relating to the aircraft, engines and propellers, their operation, maintenance or repair: all log book(s) for the aircraft and all maintenance records, maintenance manuals, flight manuals, operating manuals and minimum equipment lists for the aircraft or engines.

"Saab Assets Transaction" shall mean the transaction set forth in this Agreement and any of the Ancillary Agreements related to the sale of the Saab Assets by ATA.

"Saab Engines" means the four General Electric model CT7-9 aircraft engines comprising part of the Saab Assets.

"Saab Purchase Price" shall mean Two Million One Hundred Thousand and 00/100 Dollars (\$2,100,000.00).

"Sellers" shall have the meaning set forth in the first paragraph of this Agreement.

"Seller Material Adverse Effect" shall mean any material adverse change, event, circumstance or development with respect to, or material adverse effect on, CSC's operation or use of the Acquired Assets after Closing.

"Subsidiary" shall mean any corporation, partnership, trust, limited liability company or other non-corporate business enterprise in which either of Sellers (or another Subsidiary) holds stock or other ownership interests representing (a) more than 50% of the voting power of all outstanding stock or ownership interests of such entity or (b) the right to receive more than 50% of the net assets of such entity available for distribution to the holders of outstanding stock or ownership interests upon a liquidation or dissolution of such entity.

"Subordination Agreement" shall mean an agreement in form and substance reasonably satisfactory to CSC and ATA whereby CSC and Colgan agree that all obligations of Colgan to CSC, whether arising under the CSC/Colgan Agreement or otherwise are fully subordinate to all obligations of Colgan to ATA arising under the Purchase Note, Chattel Mortgage or otherwise and that Colgan shall not make, and CSC shall not accept, any payment of any obligation owed by Colgan to CSC until all obligations of Colgan to ATA have been satisfied in full.

"Transactions" shall mean the transactions contemplated by this Agreement and any of the Ancillary Agreements.

## **ARTICLE X**

### **MISCELLANEOUS**

10.1. No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person other than Sellers and CSC and their respective successors and permitted assigns.

10.2. Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior

understandings, agreements, or representations by or between the Parties, written or oral, with respect to the subject matter hereof.

10.3. Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. Neither Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party. Nothing herein shall be construed as an assignment by CSC to Colgan of CSC's rights, interests, or obligations hereunder.

10.4. Counterparts and Facsimile Signature. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature.

10.5. Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

10.6. Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly delivered four business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent for next business day delivery via a reputable nationwide overnight courier service, in each case to the intended recipient as set forth below:

If to Sellers:

C8 Airlines, Inc.  
ATA Airlines, Inc.  
7337 West Washington Street  
Indianapolis, Indiana 46231  
Attention: Mr. Sean Frick  
Vice President and  
Chief Restructuring  
Officer  
Facsimile: (317) 282-7091  
Email: Sean.Frick@IflyATA.com

Copy to: (which shall not  
constitute notice)

Baker & Daniels  
300 North Meridian Street, Suite  
2700  
Indianapolis, Indiana 46204  
Attention: Mr. Stephen A.  
Claffey, Esq.  
Facsimile: (317) 237-1000  
Email:  
steve.claffey@bakerd.com

If to CSC:

CSC Investment Group, Inc.  
P.O. Box 1124  
Wheaton, Illinois 60189  
Attention: Mr. Edward S. Halley  
President  
Facsimile: (630) 393- 0743  
Email: KSJHWKR@aol.com

Copy to: (which shall not  
constitute notice

Nisen & Elliot, LLC  
200 West Adams St., Ste. 2500  
Chicago, Illinois 60606  
Attention: Michael H. Moirano,  
Esq.  
Facsimile: (312) 696-2508  
Email: mmoirano@nisen.com

Either Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the party for whom it is intended. Either Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

10.7. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Indiana, without giving effect to any choice or conflict of law provision or rule (whether of the State of Indiana or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of Indiana.

10.8. Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties. No waiver by either Party of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the Party giving such waiver. No waiver by either Party with respect to any default, misrepresentation, or breach of warranty or covenant hereunder shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

10.9. Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

10.10. Expenses. Each Party shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions

contemplated hereby. Sellers agree to indemnify and hold harmless CSC against any liability, claim, loss, damage or expense incurred by Sellers relating to any fees or commissions owed to Compass Financial Advisors and Huron Consulting Group in connection with the Closing of the Transactions. CSC agrees to indemnify and hold harmless Sellers against any liability, claim, loss, damage or expense incurred by CSC relating to any fees or commissions owed to any broker, finder or financial advisor as a result of the Closing of the Transactions.

10.11. Submission to Jurisdiction. Each Party (a) submits to the jurisdiction of any state or federal court sitting in Indiana in any action or proceeding arising out of or relating to this Agreement or the Ancillary Agreements, (b) agrees that all claims in respect of such action or proceeding may be heard and determined in any such court, (c) waives any claim of inconvenient forum or other challenge to venue in such court, (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement or the Ancillary Agreements in any other court and (e) waives any right it may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement or the Ancillary Agreements. Each Party agrees to accept service of any summons, complaint or other initial pleading made in the manner provided for the giving of notices in Section 10.6, provided that nothing in this Section 10.11 shall affect the right of either Party to serve such summons, complaint or other initial pleading in any other manner permitted by law.

10.12. Specific Performance. Each Party acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each Party agrees that the other Party shall be entitled to an injunction or other equitable relief to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

10.13. Construction.

(a) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

(b) Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

(c) Any reference herein to “including” shall be interpreted as “including without limitation”.

(d) Any reference to any Article, Section or paragraph shall be deemed to refer to an Article, Section or paragraph of this Agreement, unless the context clearly indicates otherwise.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

**CSC INVESTMENT GROUP, INC.**

By: \_\_\_\_\_  
Edward S. Halley, President

**C8 AIRLINES, INC.**

By: \_\_\_\_\_  
\_\_\_\_\_

**ATA AIRLINES, INC.**

By: \_\_\_\_\_  
Sean Frick, Vice President and  
Chief Restructuring Officer



### Schedule 3.4 to Asset Purchase Agreement - The Saab Assets

#### Aircraft:

<u>Manufacturer</u>	<u>Model</u>	<u>Mfg. Serial No.</u>	<u>U.S. Registry No.</u>
Saab Aircraft AB	340B	340B-201	N309CE
Saab Aircraft AB	340B	340B-214	N311CE

#### Engines:

<u>Manufacturer</u>	<u>Model</u>	<u>Mfg. Serial No.</u>
General Electric	CT7-9B	GE-E-785273
General Electric	CT7-9B	GE-E-785553
General Electric	CT7-9B	GE-E-785519
General Electric	CT7-9B	GE-E-785174

#### Propellers:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
Hamilton Standard	14RF-19	900527
Hamilton Standard	14RF-19	900525
Hamilton Standard	14RF-19	900718
Hamilton Standard	14RF-19	900717

**Exhibit A**

## BILL OF SALE AND ACCEPTANCE

KNOW ALL MEN BY THESE PRESENTS, that, for the consideration, representations, warranties and covenants contained herein and in the Asset Purchase Agreement, dated as of August \_\_, 2005, between C8 Airlines, Inc., formerly known as Chicago Express Airlines, Inc., a Georgia corporation ("CEA"), ATA Airlines, Inc., an Indiana corporation, and CSC Investment Group, Inc., an Illinois corporation ("CSC"), as the same has been amended and/or supplemented on or prior to the date hereof (the "Agreement"), receipt of which consideration is hereby acknowledged, CEA and CSC ("Buyer") agree as follows:

1. Definitions. All terms which are defined in the Agreement and not otherwise defined herein shall have the same meanings, when used in this Bill of Sale and Acceptance, as are ascribed to them in the Agreement.
2. Conveyance to Buyer. CEA hereby grants, bargains, sells, conveys, assigns, transfers, sets over and delivers to Buyer all of CEA's rights, title and interests in and to the General Electric model CT7-(B aircraft engine bearing manufacturer's serial number GE-E785526 (the "CEA Engine"). TO HAVE AND HOLD the same, with the appurtenances thereunto belonging, unto Buyer, its successors and assigns, forever.
3. Disclaimer of Warranties. **The CEA Engine is sold, assigned, transferred, conveyed, set over and delivered to Buyer "AS IS" and "WITH ALL FAULTS" and CEA disclaims all express and implied warranties, including any implied warranty of fitness for a particular purpose or any implied warranty of merchantability.**
4. Appointment of Buyer as Attorney-in-Fact. CEA hereby constitutes and appoints Buyer its true and lawful agent and attorney-in-fact to receive, demand, assert, collect, enforce and sue for the CEA Engine, either in its own name or in the name of CEA, all for the use and benefit and at the expense of Buyer.
5. Further Assurances. CEA shall at any time and from time to time, upon the written request of Buyer, execute and deliver such further instruments, and take or cause to be taken such further action, which Buyer reasonably may request to vest in it the CEA Engine or to enable Buyer to realize upon or otherwise enjoy the same or to carry out the intent and purposes hereof.

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IN WITNESS WHEREOF, CEA has executed and Buyer has accepted this Bill of Sale and Acceptance by its duly authorized officers as of the \_\_\_ day of August, 2005.

CHICAGO EXPRESS AIRLINES, INC.

By: \_\_\_\_\_  
\_\_\_\_\_

Accepted By:

CSC INVESTMENT GROUP, INC.

By: \_\_\_\_\_  
\_\_\_\_\_

COUNTY OF MARION       )  
  ) SS:  
STATE OF INDIANA       )

Before me, a Notary Public in and for the State of Indiana and a resident of \_\_\_\_\_ County, Indiana, personally appeared \_\_\_\_\_, the \_\_\_\_\_ of C8 Airlines, Inc. and, being first duly sworn, affirmed that he executed the foregoing Bill of Sale and Acceptance for and on behalf of C8 Airlines, Inc. as its duly authorized officer.

WITNESS my hand and notarial seal this \_\_\_ day of August, 2005.

My commission expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Printed

My county of residence is:

\_\_\_\_\_

**Exhibit B-1**

## ***BILL OF SALE AND ACCEPTANCE***

1. FOR GOOD AND VALUABLE CONSIDERATION RECEIVED, ATA Airlines, Inc. ("SELLER") does this \_\_\_\_ day of \_\_\_\_\_, 2005 hereby bargain, sell, convey and transfer unto Colgan Air, Inc. ("BUYER") and its successors and assigns for their own use and for their own use forever, all the right, title and interest of SELLER in and to the used airframes, engines and propellers described in Schedule 1 hereto (the "AIRCRAFT PACKAGE") together with all related records and log books in SELLER'S possession as of the date hereof.

2. SELLER hereby warrants, to BUYER and its successors and assigns that there is hereby conveyed to BUYER good and marketable title to the AIRCRAFT PACKAGE free and clear of all liens, mortgages and encumbrances of any type other than those arising by, through or under BUYER, as per the Order of the Bankruptcy Court dated \_\_\_\_\_, 2005, and that SELLER shall warrant and forever defend such title against all such claims and demands whatsoever.

3. Except as otherwise provided in Paragraph 2. above:

THE AIRCRAFT PACKAGE IS BEING DELIVERED IN A STRICTLY "AS IS, WHERE IS, WITH ALL FAULTS" CONDITION, WITHOUT RECOURSE OR WARRANTY OF ANY KIND, AND SELLER HEREBY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OR REPRESENTATIONS OF ANY NATURE WHATSOEVER WITH RESPECT TO THE AIRCRAFT PACKAGE OR ANY PART THEREOF EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THOSE OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. BUYER HEREBY ACKNOWLEDGES AND AGREES TO SUCH DISCLAIMER

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IN WITNESS WHEREOF, Seller has executed and Buyer has accepted this Bill of Sale and Acceptance as of the date first written above.

ATA AIRLINES, INC.

By: \_\_\_\_\_  
Sean Frick, Vice President and Chief  
Restructuring Officer

Accepted By:

CSC INVESTMENT GROUP, INC.

By: \_\_\_\_\_  
\_\_\_\_\_  
Printed Name and Title

COUNTY OF MARION        )  
                                      ) SS:  
STATE OF INDIANA        )

Before me, a Notary Public in and for the State of Indiana and a resident of \_\_\_\_\_ County, Indiana, personally appeared Sean Frick, the Vice President and Chief Restructuring Officer of ATA Airlines, Inc. and, being first duly sworn, affirmed that he executed the foregoing Bill of Sale and Acceptance for and on behalf of ATA Airlines, Inc. as its duly authorized officer.

WITNESS my hand and notarial seal this \_\_\_\_ day of August, 2005.

\_\_\_\_\_  
My commission expires:

Notary Public

\_\_\_\_\_  
My county of residence is:

\_\_\_\_\_  
Printed

SCHEDULE 1 TO BILL OF SALE

**Airframe:**

<u>Manufacturer</u>	<u>Model</u>	<u>Mfg. Serial No.</u>	<u>Registry No.</u>	U.S.
Saab Aircraft AB	340B	340B-201	N309CE	
Saab Aircraft AB	340B	340B-214	N311CE	

**Engines:**

The following engines, each of said engines being 750 or more rated takeoff horsepower or its equivalent:

<u>Manufacturer</u>	<u>Model</u>	<u>Mfg. Serial No.</u>
General Electric	CT7-9B	GE-E-785273
General Electric	CT7-9B	GE-E-785553
General Electric	CT7-9B	GE-E-785519
General Electric	CT7-9B	GE-E-785174

**Propellers:**

The following propellers, each such propeller capable of absorbing 750 or more rated take-off shaft horsepower or the equivalent thereof:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
Hamilton Standard	14RF-19	900527
Hamilton Standard	14RF-19	900525
Hamilton Standard	14RF-19	900718
Hamilton Standard	14RF-19	900717



**Exhibit B-2(a)**

(reserved)

**Exhibit B-2(b)**

(reserved)

**Exhibit D**

(reserved)

**Exhibit E**

**SECURITY AGREEMENT AND CHATTEL MORTGAGE**  
(Aircraft, Engines and Propellers)

**THIS SECURITY AGREEMENT AND CHATTEL MORTGAGE** is executed as of August \_\_, 2005 (this "Mortgage"), by COLGAN AIR, INC., a Virginia corporation (the "Mortgagor"), having its chief place of business at 10677 Aviation Lane, Manassas, Virginia 20110, in favor of ATA AIRLINES, INC., an Indiana corporation, having its principal offices at 7337 West Washington Street, Indianapolis, Indiana 46231 (the "Mortgagee").

**WITNESSETH:**

WHEREAS, concurrently with the execution of this Mortgage the Mortgagor is purchasing the "Mortgaged Airplanes", the "Mortgaged Engines" and the "Mortgaged Propellers" (as those terms are defined below) from the Mortgagee and is financing this purchase by executing, issuing and delivering to the Mortgagee a Promissory Note, of even date, executed by Mortgagor to the order of the Mortgagee in the original principal amount of \$1,700,000 (as the foregoing may hereafter at any time and from time to time be renewed, extended, amended, supplemented, or restated the "Purchase Note"); and

WHEREAS, it is a requirement of the sale of the Mortgaged Aircraft, the Mortgaged Engines and the Mortgaged Propellers to the Mortgagor that the Mortgagor enter into this Mortgage for the benefit of the Mortgagee to secure the payment and performance of the following indebtedness, liabilities, and obligations of the Mortgagor (being herein collectively called the "Obligation"): All present and future indebtedness, obligations, and liabilities, and all renewals and extensions thereof, now or hereafter owed to the Mortgagee by the Mortgagor, and evidenced by or owed pursuant to the Purchase Note or that certain Pre-Closing Possession Agreement executed as of August \_\_, 2005 (the "Pre-Closing Agreement"), and any and all other indebtedness, obligations and liabilities arising from this Mortgage, and any and all renewals, extensions, or restatements of, or amendments or supplements to, all or any part of the foregoing, together with all interest accruing thereon (including without limitation any interest accruing subsequent to any petition filed by or against the Mortgagor under the U.S. Bankruptcy Code) and all costs, expenses, and attorneys' fees incurred in the enforcement or collection of the indebtedness, obligations, and liabilities described in this paragraph, whether such are direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several.

WHEREAS, the lien and security interest created in favor of Mortgagee by this Mortgage is the "ATA Lien" referred to in the Order Authorizing C8 Airlines, Inc. and ATA Airlines, Inc. to Transfer Certain Assets to CSC Investment Group, Inc. and/or Colgan Air, Inc. entered by the United States Bankruptcy Court for the Southern District of Indiana on September \_\_, 2005, in the jointly administered bankruptcy cases of ATA Holdings Corp. and certain of its subsidiaries (Case No. 04-19866).

NOW, THEREFORE, to secure the due and punctual payment and performance of the Obligation, the Mortgagor hereby mortgages to the Mortgagee, and grants to the Mortgagee a

first priority security interest in the property described below (all property so subject to the lien and security interest of this Mortgage at any time being herein referred to as the "Mortgaged Aviation Property"):

(a) The aircraft described in Schedule I hereto (each such aircraft, while it shall be subject to the lien and security interest of this Mortgage, being herein referred to as a "Mortgaged Airplane" and all of such aircraft so subject collectively being herein referred to as the "Mortgaged Airplanes"), together with (and the terms "Mortgaged Airplane" and "Mortgaged Airplanes" shall include) all appliances, parts, instruments, appurtenances, accessories and equipment (including, without limitation, communication and radar equipment) owned by the Mortgagor now or hereafter incorporated or installed in or attached to any of such aircraft, and all substitutions, replacements and renewals of any and all thereof owned by the Mortgagor and all other property owned by the Mortgagor which shall hereafter become physically incorporated or installed in or attached to such aircraft, whether any of the foregoing is now owned by the Mortgagor or hereafter acquired by it, exclusive of aircraft engines and propellers (except that the Mortgaged Engines (as defined below) shall be subject to such lien and security interest pursuant to clause (b) below and the Mortgaged Propellers (as defined below) shall be subject to such lien and security interest pursuant to clause (c) below);

(b) All aircraft engines described in Schedule I hereto or described in any Supplemental Chattel Mortgage substantially in the form of Annex 1 hereto which shall be hereafter delivered to the Mortgagee pursuant to the provisions of Section 7 (any such engine, while it shall be subject to the lien and security interest of this Mortgage, being herein referred to as a "Mortgaged Engine" and all such engines so subject collectively being herein referred to as the "Mortgaged Engines") together with (and the terms "Mortgaged Engine" or "Mortgaged Engines" shall include) all appliances, parts, instruments, appurtenances, accessories and equipment owned by the Mortgagor now or hereafter incorporated or installed in or attached to such engine or engines, and all substitutions, replacements and renewals of any and all thereof owned by the Mortgagor and all other property owned by the Mortgagor which shall hereafter become physically incorporated or installed in or attached to such engine or engines, whether any of the foregoing is now owned by the Mortgagor or hereafter acquired by it, exclusive of aircraft and propellers (except that the Mortgaged Airplanes shall be subject to such lien and security interest pursuant to clause (a) above and the Mortgaged Propellers (as defined below) shall be subject to such lien and security interest pursuant to clause (c) below);

(c) All propellers described in Schedule I hereto or described in any Supplemental Chattel Mortgage substantially in the form of Annex 1 hereto which shall be hereafter delivered to the Mortgagee pursuant to the provisions of Section 7 (each such propeller, while it shall be subject to the lien and security interest of this Mortgage, being herein referred to as a "Mortgaged Propeller" and all of such propellers so subject collectively being herein referred to as the "Mortgaged Propellers"), together with (and the terms "Mortgaged Propeller" and "Mortgaged Propellers" shall include) all appliances, parts, instruments, appurtenances, accessories and equipment owned by the Mortgagor now or hereafter incorporated or installed in or attached to any of such propellers, and all substitutions, replacements and renewals of any and all thereof owned by the Mortgagor and all other property owned by the Mortgagor which shall

hereafter become physically incorporated or installed in or attached to such propellers, whether any of the foregoing is now owned by the Mortgagor or hereafter acquired by it, exclusive of aircraft and aircraft engines (except that the Mortgaged Airplanes shall be subject to such lien and security interest pursuant to clause (a) above and the Mortgaged Engines shall be subject to such lien and security interest pursuant to clause (b) above);

(d) All books, records and documents of the Mortgagor relating to the Mortgaged Aviation Property, its operation, maintenance or repair, including without limitation, all log book(s) for the Mortgaged Airplanes and all maintenance records, maintenance manuals, flight manuals, operating manuals and minimum equipment lists for the Mortgaged Airplanes, Mortgaged Engines or Mortgaged Propellers, whether now owned or hereafter acquired; and

(e) All proceeds of any of and all the properties described in paragraphs (a), (b), (c) and (d) above, including, without limitation, all rents, leases and profits and all insurance proceeds (and the Mortgagor's right to receive such insurance proceeds) with respect to any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller, and other proceeds of any kind resulting from any Event of Loss (as hereinafter defined) with respect to any Mortgaged Airplane, Mortgaged Propeller or Mortgaged Engine or otherwise arising with respect to any Mortgaged Airplane or Mortgaged Engine; subject, however, to the provisions of Section 17 hereof.

The Mortgagor further covenants to the Mortgagee and agrees with the Mortgagee as follows:

SECTION 1. Certain Representatives, Warranties and Covenants. The Mortgagor hereby represents and warrants and hereby covenants as follows:

(a) The Mortgagor will have, and at all times thereafter will have, good title to the Mortgaged Airplanes, the Mortgaged Engines and the Mortgaged Propellers free and clear of all mortgages, deeds of trust, liens, security interests and other charges or encumbrances except for Permitted Encumbrances (as hereinafter defined) and has, and at all times will have, full power and authority to mortgage and grant a lien and security interest in, and assign, the Mortgaged Aviation Property in the manner aforesaid.

(b) The Mortgagor is, and at all times will be, "Citizen of the United States" as defined in Section 40102(a)(15) of 49 U.S.C.

(c) Each of the Mortgaged Airplanes is registered with the Federal Aviation Administration in the name of the Mortgagor and the Mortgagor will take all necessary action to cause such registration to remain in effect. An airworthiness certificate has been duly issued under the Federal Aviation Act of 1958 (the "Act") for each of the Mortgaged Airplanes and all of such airworthiness certificates are in full force and effect.

(d) The insurance required by Section 9 is in full force and effect.

(e) The chief place of business and chief executive office (as such terms are used in Article 9 of the Uniform Commercial Code) of the Mortgagor is located at 10677 Aviation Lane, Manassas, Virginia 20110.

(f) The Mortgagor is a certified air carrier under 49 U.S.C. §§ 41102 and 44705 with authority from the Federal Aviation Administration and Department of Transportation to operate Saab 340B aircraft in the United States in the commercial carriage of passengers.

(g) Mortgagor is a corporation duly organized, validly existing and in corporate good standing under the laws of the State of Virginia. Mortgagor is duly qualified to conduct business and is in corporate good standing under the laws of each jurisdiction where the nature of the business conducted by it or the properties owned or leased by it require qualification, except for those jurisdictions in which the failure to be so qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a materially adverse affect. Mortgagor has all requisite corporate power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it.

(h) Mortgagor has the requisite corporate power and authority to execute this Mortgage, the Purchase Note and the Pre-Closing Agreement, and Mortgagor has the requisite power and authority to perform its obligations under this Mortgage, the Purchase Note and the Pre-Closing Agreement. The execution and delivery of this Mortgage, the Purchase Note and the Pre-Closing Agreement have been (or will be at the time of execution thereof) duly authorized by all necessary corporate or other organizational action on the part of Mortgagor. This Mortgage has been duly and validly executed and delivered by Mortgagor and constitutes, and each of the Purchase Note and Pre-Closing Agreement, upon its execution and delivery by Mortgagor, will constitute, a valid and binding obligation of Mortgagor, enforceable against Mortgagor in accordance with its terms.

(i) Neither the execution and delivery by Mortgagor of this Mortgage or the Purchase Note or the Pre-Closing Agreement will (a) conflict with or violate any provision of the certificate of incorporation or by-laws of Mortgagor, (b) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any party the right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which Mortgagor is a party or by which Mortgagor is bound or to which any of its assets is subject, except for any conflict, breach, default, acceleration, termination, modification or cancellation which, individually or in the aggregate, would not have a materially adverse effect, (c) result in the imposition of any security interest upon any assets of Mortgagor, or (d) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Mortgagor or any of its respective properties or assets.

(j) No representation or warranty by Mortgagor contained in this Mortgage, the Purchase Note or the Pre-Closing Agreement or any other document, certificate or other instrument delivered or to be delivered by or on behalf of Mortgagor pursuant to or related to any of the foregoing, contains or will contain any untrue statement of a material fact or omits or will



omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading.

SECTION 2. Inspection. The Mortgagor will permit any authorized representatives of the Mortgagee to inspect the Mortgaged Aviation Property or any part thereof, and reasonably to examine, copy or make extracts from, any and all books, records and documents in the possession of the Mortgagor relating to the Mortgaged Aviation Property or any part thereof and performance of this Mortgage, all at such reasonable times and as often as may reasonably be requested. The Mortgagee shall have no duty to make any such inspection or examination and the Mortgagee shall not incur any liability or obligation by reason of not making any such inspection or examination.

SECTION 3. Liens, Encumbrances and Claims. The Mortgagor will not directly or indirectly create, incur, assume or suffer to exist any lien, security interest, charge or encumbrance on or with respect to any part or all of the Mortgaged Aviation Property, title thereto or any interest therein, except any of the following (herein referred to collectively as "Permitted Encumbrances"): (a) the lien and security interest of this Mortgage, and (b) transfers of possession and other acts permitted by Section 5.

SECTION 4. Maintenance and Operation. The Mortgagor shall bear all risk of loss of or damage to the Mortgaged Aviation Property. The Mortgagor, at its own cost and expense, shall service, repair and maintain each Mortgaged Airplane, Mortgaged Engine and Mortgaged Propeller and shall install replacement equipment and parts on each Mortgaged Airplane, Mortgaged Engine and Mortgaged Propeller so as to keep each Mortgaged Airplane, Mortgaged Engine and Mortgaged Propeller in such operating condition as may be required to permit each such Mortgaged Airplane, Mortgaged Engine and Mortgaged Propeller to be utilized in commercial charter operations and scheduled airline service in the continental United States and shall maintain all records, logs and other materials that may be required to permit each Mortgaged Airplane, Mortgaged Engine and Mortgaged Propeller to be so utilized. To the extent the Mortgagor has a maintenance program approved by the Federal Aviation Administration or the Department of Transportation for the maintenance of aircraft, aircraft engines and propellers of the same type as the Mortgaged Airplanes, the Mortgaged Engines and the Mortgaged Propellers, the Mortgagor shall maintain at all times the Mortgaged Airplanes, the Mortgaged Engines and the Mortgaged Propellers in a manner and at a level not less than the manner and level required by the Mortgagor's approved maintenance program. The Mortgagee shall have the right to inspect the Mortgaged Aviation Property, all maintenance records, logs and other materials related to the maintenance of the Mortgaged Aviation Property and all documents and records relating to the Mortgagor's approved maintenance program for aircraft, aircraft engines and propellers of the same type as the Mortgaged Airplanes, the Mortgaged Engines and the Mortgaged Propellers for purposes of evaluating the Mortgagor's compliance with the Mortgagor's obligations under this Mortgage. The Mortgagor will comply and will cause compliance with all laws, regulations or orders of governmental authority having jurisdiction over the Mortgagor or the Mortgaged Aviation Property, including all applicable operational and maintenance requirements of the Federal Aviation Administration, and will at all times maintain in effect appropriate United States FAA Certificates of Airworthiness for each of the Mortgaged

Airplanes. The Mortgagor agrees that the Mortgaged Airplanes, the Mortgaged Engines and the Mortgaged Propellers will not be maintained, used or operated in violation of any law or any rule, regulation or order of any government or governmental authority having jurisdiction (domestic or foreign), or in violation of any airworthiness certificate, license or registration relating to the Mortgaged Airplanes, the Mortgaged Engines or the Mortgaged Propellers issued by any such authority, and in the event that such laws, rules, regulations or orders require alteration of any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller, the Mortgagor, at its own cost and expense, will conform thereto or obtain conformance therewith and will maintain the same in proper operating condition under such laws, rules, regulations and orders; provided, however, that the Mortgagor may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner that does not materially adversely affect the interests of the Mortgagee under this Mortgage. Without the prior written consent of the Mortgagee, the Mortgagor shall not fly any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller or suffer any thereof to be flown or located to, from or within (a) any area excluded from coverage by any insurance policy required hereunder to be maintained in effect with respect to each of the Mortgaged Airplanes, Mortgaged Engines or Mortgaged Propellers or (b) any area of hostilities recognized or designated by the United States Government or an insurance carrier then insuring aircraft in the Mortgagor's fleet, unless fully covered by war-risk hull insurance or unless such Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller is operated or used under contract or lease with the Government of the United States of America under which contract that Government shall assume all liability for any damage, loss, destruction or failure to return possession of such Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller at the end of the term of such contract.

SECTION 5. Sale, Assignment, Lease, etc. The Mortgagor will not, without the prior written consent of the Mortgagee, sell, assign, lease or otherwise dispose of or relinquish possession of any of the Mortgaged Aviation Property, except that, unless a Default Event (as hereinafter defined) shall have occurred and be continuing, the Mortgagor may, in the ordinary course of business: (i) transfer possession of any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller to the manufacturer thereof or any other organization for testing, repairs, servicing, maintenance, overhaul, alterations or modifications; (ii) enter into any "wet lease" or other similar arrangement under which the Mortgagor maintains operational control of the Mortgaged Aviation Property and which do not have a term in excess of thirty (30) days; provided, however, that, in connection with any of the foregoing, no Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller shall be or become subject to any pooling, interchange or exchange agreement or arrangement without the prior written approval of the Mortgagee.

SECTION 6. [This Section Reserved]

SECTION 7. Subsequently Mortgaged Engines and/or Propellers. If an Event of Loss shall occur with respect to a Mortgaged Engine and/or a Mortgaged Propeller, but not to a Mortgaged Airplane, the Mortgagor shall give the Mortgagee prompt written notice thereof and shall, within fifteen (15) days after the occurrence of such Event of Loss, duly grant and convey to the Mortgagee a lien and security interest in another equivalent engine and/or propeller of the

same model and manufacturer owned or acquired by the Mortgagor (and not already subject to a security interest securing the Obligation), free and clear of all security interests, liens, charges and other encumbrances and having a value and utility reasonably equivalent to, and being in as good operating condition as, and having performance and durability characteristics reasonably equivalent to, the Mortgaged Engine and/or Mortgaged Propeller with respect to which such Event of Loss occurred if such Mortgaged Engine and/or Mortgaged Propeller were in the condition and repair as required by the terms hereof immediately prior to the occurrence of such Event of Loss (any such engine(s) so substituted hereunder being herein called "Replacement Engine(s)," and any such propeller(s) so substituted hereunder being herein called "Replacement Propeller(s)").

In connection with any substitutions hereunder, the Mortgagor shall deliver to the Mortgagee the following:

(A) a Supplemental Chattel Mortgage substantially in the form of Annex 1 hereto duly executed by the Mortgagor appropriately describing the Replacement Engine(s) and/or Replacement Propeller(s) to be subjected to the lien and security interest of this Mortgage;

(B) a certificate signed by the President and by the Treasurer of the Mortgagor (an "Officers' Certificate"), dated the date of execution of such Supplemental Chattel Mortgage, stating:

(1) that the Mortgagor is the owner of the Replacement Engine(s) and/or Replacement Propeller(s) described in such Supplemental Chattel Mortgage, free and clear of all security interests, liens, charges and other encumbrances except Permitted Encumbrances and that legal and beneficial title thereto is vested in the Mortgagor;

(2) that such Supplemental Chattel Mortgage has been duly authorized, executed and delivered by the Mortgagor;

(C) an opinion or opinions of counsel for the Mortgagor acceptable to the Mortgagee, as to matters set forth in subparagraph (2)(x) below, and of Crowe & Dunlevy, P.C., or other counsel acceptable to the Mortgagee, as to the other matters set forth below, each such opinion to be dated the date of execution of such Supplemental Chattel Mortgage, stating, as the case may be:

(1) that the Replacement Engine(s) and/or Replacement Propeller(s) described in such Supplemental Chattel Mortgage are free and clear of all recorded security interests, liens, charges and other encumbrances;

(2) that such Supplemental Chattel Mortgage (x) has been duly authorized, executed and delivered by the Mortgagor and is enforceable against the Mortgagor and (y) creates a valid first security interest in and to the Replacement Engine(s) and/or Replacement Propeller(s) described in such Supplemental Chattel Mortgage, enforceable, wherever such

Replacement Engine(s) and/or Replacement Propeller(s) are located within the United States, against all third parties and securing all obligations purported to be secured thereby, and such security interest is fully perfected; and

(3) that such Supplemental Chattel Mortgage has been duly filed for recordation in accordance with the provisions of the Act; it being understood that in rendering the foregoing opinions, counsel for matters set forth in subparagraph (2)(x) above may state that they do not give any opinion as to the laws of any jurisdictions other than the United States of America and the State of Indiana and that their opinions are subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and

(4) such evidence of title of the Mortgagor to such Replacement Engine(s) and/or Replacement Propeller(s), of the value thereof and compliance with the insurance provisions of Section 9 with respect thereto, as the Mortgagee may reasonably request.

**SECTION 8. Replacement of Parts; Alterations, Modification and Additions.** (a) The Mortgagor, at its own cost and expense, will promptly replace all appliances, parts, instruments, appurtenances, accessories and other equipment of whatever nature (collectively, the "Parts"), which may from time to time be incorporated or installed in or attached to any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatever. In addition, in the ordinary course of maintenance, service, repair or testing, the Mortgagor may remove any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use; provided, however, that, except as otherwise provided in paragraph (b) below, the Mortgagor shall replace such Parts as promptly as practicable. All replacement Parts shall be free and clear of all security interests, liens, charges and other encumbrances (except the security interest and lien of this Mortgage) and shall be in as good operating condition as, and shall have a value and utility reasonably equivalent to, the value and utility of Parts replaced.

Except as provided in paragraph (b) below, all Parts owned by the Mortgagor at any time removed from any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller shall remain subject to the lien and security interest of this Mortgage, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to such Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part owned by the Mortgagor becoming incorporated or installed in or attached to any such Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller as above provided, without further act, such replacement Part shall become subject to the lien and security interest of this Mortgage.

(b) The Mortgagor, at its own cost and expense, may from time to time make such alterations and modifications in and additions to any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller as the Mortgagor may deem desirable in the proper conduct of its business;

provided, however, that no such alteration, modification or addition shall diminish the value, utility, condition or airworthiness of any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller below the value, utility, condition or airworthiness thereof immediately prior to such alteration, modification or addition. All Parts owned by the Mortgagor incorporated or installed in or attached to or added to any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller as the result of such alteration, modification or addition shall, without further act, become subject to the lien and security interest of this Mortgage.

SECTION 9. Insurance, Events of Loss, Etc. (a) The Mortgagor will at all times carry and maintain in effect, or cause to be carried and maintained in effect, on the Mortgaged Aviation Property, at its own cost and expense, (i) third party and passenger liability insurance in an amount not less than the greater of (x) \$150,000,000.00 per occurrence and (y) the amount of such insurance applicable to any other aircraft of the same model and manufacturer as the aircraft described on Schedule I hereto which is operated by the Mortgagor either as owner or as original primary lessee (and not as sublessee or assignee of another primary lessee) on which the Mortgagor carries insurance; (ii) property damage liability insurance; (iii) aircraft all-risk hull insurance for each Mortgaged Airplane, the Mortgaged Engines, the Mortgaged Propellers and Parts belonging to, installed in or appurtenant to each Mortgaged Airplane (which all-risk hull insurance shall include coverage of the Mortgaged Engines, the Mortgaged Propellers and Parts while temporarily removed from the Mortgaged Airplanes and not replaced by similar components) in an amount not less than 100% of the replacement cost thereof (or such other amount as the Mortgagee may approve); (iv) all-risk of physical loss or damage insurance on the Mortgaged Engines, the Mortgaged Propellers and Parts while removed from the Mortgaged Airplane; (v) war-risk insurance (when available from the United States or an agency thereof or a commercial carrier and required by Section 4); and (vi) baggage and cargo liability insurance; in each case in such amounts (except where amounts are specified above) and in such form, including without limitation the form of the loss payable clause and the designation of named insureds, and with such insurance companies, underwriters or funds of recognized responsibility as shall be reasonably satisfactory to the Mortgagee and as shall be declared from time to time by independent aircraft insurance brokers (who may be the brokers regularly employed by the Mortgagor), appointed by the Mortgagor and reasonably acceptable to the Mortgagee, to be necessary or advisable (in view of the insurance usually carried by corporations engaged in the same or a similar business as the Mortgagor, similarly situated with the Mortgagor and owning similar aircraft and engines) for the protection of the interests of the Mortgagee. All insurance required hereunder shall provide for payment in the United States in U.S. Dollars. All third party and passenger liability and property damage liability insurance shall insure against liability which the Mortgagee or the Mortgagor might incur by reason of the ownership or operation of any of the Mortgaged Airplanes in or over any area (including the high seas) in which any of the Mortgaged Airplanes is operated or located, shall be of the type usually carried by corporations engaged in the same or a similar business, similarly situated with the Mortgagor, and owning similar aircraft and engines and shall cover risks of the kind customarily insured against by such corporations and, in the case of property damage liability insurance, shall be in amounts that are not less than property damage liability insurance applicable to the other aircraft in the Mortgagor's fleet on which the Mortgagor carries such insurance.

(b) All liability policies shall name the Mortgagee as an additional insured as its interests may appear. All other policies required hereby covering loss or damage to the Mortgaged Aviation Property shall name the Mortgagee as an additional insured as its interests may appear and as a lender loss payee and shall provide that any payment thereunder for any loss or damage shall be paid to the Mortgagee; provided, however, if no Default Event has occurred and is continuing and the Mortgagor is otherwise entitled to receive a payment thereunder, proceeds under such policies which are received by the Mortgagee shall be disbursed by the Mortgagee to the Mortgagor upon the written request of the Mortgagor subject to and provided that each of the following conditions is satisfied in form and substance satisfactory to the Mortgagee: (i) all such proceeds shall be applied to repair in full any such loss or damage, (ii) the Mortgagee shall have determined in its sole discretion that such repairs are feasible and economically prudent, and the maturity date of the Purchase Note is more than thirty (30) days after the date of such loss or damage, (iii) there are sufficient proceeds on deposit with the Mortgagee to completely repair any such loss or damage, or the Mortgagor shall deposit funds with the Mortgagee in the amount of any deficiency, (iv) all disbursements of such proceeds shall be paid by the Mortgagee from time to time as works progresses based upon disbursement procedures acceptable to the Mortgagee, (v) the repairs can be completed within thirty (30) days from the date of such loss or damage or such other time agreed to in writing between the Mortgagor and the Mortgagee, and (vi) upon completion of the repairs, the Mortgagee's collateral would not be impaired or value reduced in any way from the value thereof prior to the loss or damage, as determined by the Mortgagee. All policies shall insure the interests of the Mortgagee regardless of any breach or violation by the Mortgagor of warranties, declarations or conditions contained in such policies or any action or inaction of the Mortgagee or others; each such policy shall be primary without right of contribution from any other insurance which is carried by the Mortgagor and shall expressly provide that all provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured; each such policy shall waive any right of subrogation of the insurers against the Mortgagee; each such policy shall waive any right of the insurers to any set-off or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of the Mortgagee; and each such policy shall provide that, if any premium or installment is not paid when due, or if such insurance is canceled or terminated for any reason whatsoever, or if the scope of coverage or the limits of liability are reduced or any other material adverse change is made in or to the rights of the Mortgagee, the insurers will promptly notify the Mortgagee in writing and any such cancellation, termination or change shall not be effective as to the Mortgagee for 30 days (seven days in the case of war-risk policies) after receipt of such notice, and that appropriate certification shall be made to the Mortgagee by each insurer with respect thereto.

(c) Any insurance proceeds received as the result of any property damage loss not constituting an Event of Loss with respect to any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller shall be applied in payment for any repair or replacement required by the terms of Section 7 or 8 if not already paid for by the Mortgagor, and any balance remaining after any such repair or replacement (or if already paid for by the Mortgagor, all such insurance proceeds), shall be retained by the Mortgagee and applied against the Obligation or paid over to the Mortgagor; provided, however, that no Default Event shall have occurred and be continuing;

and provided further, however, that the Mortgagee shall have received from the Mortgagor prior to the making of any such payment to the Mortgagor a certificate signed by the President of the Mortgagor certifying that the property so damaged has been repaired in full, that the costs of such repair (which costs shall be specified in such certificate) have been paid in full, and that no Default Event shall have occurred and be continuing and provided further that the scheduled maturity date of the Purchase Note is more than thirty (30) days after the date of receipt of such insurance proceeds.

(d) On or before the date of this Mortgage, the Mortgagor will cause its insurance broker(s) to furnish the Mortgagee a detailed report signed by such broker(s) showing the insurance then carried and maintained on the Mortgaged Airplanes, the Mortgaged Engines and the Mortgaged Propellers and stating the opinion of such broker(s) that the insurance then carried and maintained on the Mortgaged Airplanes, the Mortgaged Engines and the Mortgaged Propellers complies with the terms thereof. The Mortgagor will cause such broker(s) to agree to advise the Mortgagee in writing promptly of any default in the payment of any premium and of any other act or omission on the part of the Mortgagor of which it shall have knowledge that might invalidate or render unenforceable, in whole or in part, any such insurance. The Mortgagor will promptly deliver to the Mortgagee, if requested by the Mortgagee, copies of certificates of insurance evidencing all such insurance.

(e) For purposes of this Mortgage the term "Event of Loss" shall mean any of the following events with respect to any Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller: (i) the actual total loss of such Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller, (ii) the Mortgaged Airplane or such Mortgaged Engine or Mortgaged Propeller shall become lost, stolen (and not returned within 10 days), destroyed, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever, (iii) any damage to such Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller that shall result in an insurance settlement with respect thereto on the basis of a total loss, or (iv) the condemnation, confiscation or seizure of, or requisition of title to or use (other than use by the United States Government) of, such Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller continuing to the earlier of the expiration of thirty (30) days thereafter or the receipt of insurance or other proceeds with respect thereto.

SECTION 10. Indemnification and Expenses. The Mortgagor does hereby assume liability for, and does hereby agree to indemnify, protect, save and keep harmless the Mortgagee, and its successors, assigns, representatives, officers, directors, agents and servants (the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal expenses, of whatsoever kind and nature imposed on, incurred by or asserted against any of the Indemnitees (whether or not also indemnified against by any other person) in any way relating to or arising out of this Mortgage, the Purchase Note, the Pre-Closing Agreement and/or the ownership, lease, service, control, repair, overhaul, testing, inspection, possession, management, use, operation, condition, sale or other disposition of any Mortgaged Aviation Property; provided, however, that the Mortgagor shall not be required to indemnify anyone for the willful misconduct or gross negligence of any of the Indemnitees. The indemnities contained in this Section shall continue in

full force and effect notwithstanding the termination of this Mortgage with respect to claims arising or liabilities incurred prior to such termination.

SECTION 11. Default Events; Remedies. (a) The following events shall constitute "Default Events" (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Default Event shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(i) the Mortgagor shall default in the payment when due of any payment required by the terms of the Purchase Note; or

(ii) the Mortgagor shall fail to carry and maintain insurance on or with respect to the Mortgaged Airplanes, the Mortgaged Engines and/or the Mortgaged Propellers in accordance with the provisions of Section 9; or

(iii) the Mortgagor shall voluntarily create, incur or assume any lien, security interest, charge or encumbrance on or with respect to any part of or all the Mortgaged Aviation Property in violation of Section 3; or

(iv) the Mortgagor shall fail to maintain the registration of any of the Mortgaged Airplanes under the Act (and the regulations thereunder); or

(v) the Mortgagor shall sell, assign, lease or otherwise dispose of or relinquish possession of any of the Mortgaged Aviation Property in violation of Section 5; or

(vi) the Mortgagor shall fail to perform or observe any other covenant or agreement to be performed or observed by it hereunder or under the Purchase Note or the Pre-Closing Agreement and such failure shall continue unremedied for a period of five (5) days after written notice thereof to the Mortgagor by the Mortgagee, excepting any failure to perform or observe any of the covenants in Section 4 of this Mortgage, which shall constitute a Default Event upon written notice thereof having been given to the Mortgagor by the Mortgagee; or

(vii) any material representation or warranty made by the Mortgagor herein, in the Purchase Note, the Pre-Closing Agreement or any document or certificate furnished by the Mortgagor to the Mortgagee in connection herewith shall at any time prove to have been incorrect in any material respect when made; or

(viii) this Mortgage shall at any time for any reason cease to be in full force and effect or shall be declared to be null and void other than solely by reason of the gross negligence or willful misconduct of the Mortgagee.

(b) If any Default Event shall occur and be continuing, then, in any such event, the Mortgagee may forthwith to the extent permitted by applicable law: (i) apply to a court of



competent jurisdiction to obtain specific performance or observance by the Mortgagor of any covenant, agreement or undertaking on the part of the Mortgagor hereunder that the Mortgagor shall have failed to observe or perform or to obtain aid in the execution of any power granted herein, and/or (ii) proceed to foreclose upon and against the lien and security interest created by this Mortgage according to the laws of the applicable jurisdiction by doing any one or more or all of the acts described in paragraph (c) below and/or the following acts, as the Mortgagee in its sole and complete discretion may then elect:

(A) exercise all the rights and remedies upon default, in foreclosure and otherwise, available to a mortgagee or secured party under the provisions of applicable law;

(B) institute legal proceedings to foreclose upon and against the lien and security interest granted by this Mortgage, to recover judgments for the Obligation then due and owing and secured hereby, and to collect the same out of any of or all the Mortgaged Aviation Property or the proceeds of any sale thereof;

(C) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any of or all the Mortgaged Aviation Property;

(D) without regard to the adequacy of the security for the Obligation by virtue of this Mortgage or any other collateral or to the solvency of the Mortgagor, institute legal proceedings for the appointment of a receiver or receivers with respect to any of or all the Mortgaged Aviation Property pending foreclosure hereunder or for the sale of any of or all the Mortgaged Aviation Property under the order of a court of competent jurisdiction or under other legal process; or

(E) personally or by agents or attorneys, enter upon any premises where the Mortgaged Aviation Property or any part thereof may then be located, and take possession of all or any part thereof, and hold, store and keep idle, or lease, operate or otherwise use or permit the use of, the Mortgaged Aviation Property or any part thereof, for such time and upon such terms as the Mortgagee may in its sole and complete discretion deem to be in its best interest, and demand, collect, and retain all rent, earnings, and other sums due and to become due in respect of the same from any party whomsoever, accounting only for net earnings, if any, arising from such use and charging against all receipts from the use of the same or from the sale thereof, by court proceedings or pursuant to paragraph (c) below, all other costs, expenses, charges, damages and other losses resulting from such use.

At any sale pursuant to this Section 11, whether under the power of sale or by virtue of judicial proceedings, it shall not be necessary for the Mortgagee or a public officer under order of a court to have present physical or constructive possession of the Mortgaged Aviation Property to be sold. Upon any sale hereunder of any of or all the Mortgaged Aviation Property or any interest therein, the receipt of the officer making such sale under judicial proceedings or of the Mortgagee shall be sufficient discharge to the purchaser for the purchase money, and such purchaser shall not be obligated to see to the application thereof. Any sale hereunder of any of or all the Mortgaged Aviation Property or any interest therein shall, to the extent permitted by

applicable law, be a perpetual bar against the Mortgagor with respect to such Mortgaged Aviation Property or interest therein, as the case may be.

(c) If the Mortgagee should elect to foreclose upon and against the lien and security interest created in and by this Mortgage, the Mortgagor shall, upon demand of the Mortgagee, deliver to the Mortgagee all or any part of the Mortgaged Aviation Property at such time or times and place or places as the Mortgagee may specify; and the Mortgagee is hereby authorized and empowered to the extent permitted by law, with or without the aid of process of law, to enter upon any premises where the Mortgaged Aviation Property or any part thereof may be located and take possession of and remove the same. The Mortgagee may thereafter sell, lease and dispose of, or cause to be sold, leased or disposed of, all or any part of the Mortgaged Aviation Property at one or more public or private sales, leaseings or other dispositions, at such places and times and on such terms and conditions as the Mortgagee may deem fit. The Mortgagee agrees to give the Mortgagor at least ten (10) days' written notice of the date fixed for any public sale, or the date on or after which will occur the execution of any contract for any private sale, or any of the Mortgaged Aviation Property.

SECTION 12. Application of Proceeds. If a Default Event shall occur and be continuing, the proceeds of any sale, lease or other disposition of all or any part of the Mortgaged Aviation Property under this Mortgage and all other sums realized by the Mortgagee pursuant to this Mortgage or any proceedings hereunder shall be applied in the following order of priority:

First: To the payment of the costs and expenses of such sale, lease, disposition or the realization, including reasonable compensation to the Mortgagee's agents and counsel, and all expenses, liabilities and advances made or incurred by the Mortgagee in connection therewith, including without limitation, taxes upon or with respect to the sale, lease, disposition or realization and the payment of taxes and liens, if any, prior to the lien and security interest of this Mortgage (except any taxes or liens to which the respective sale, lease, disposition or realization shall have been subject) and to the payment of expenses and the reimbursements of payments incurred or made by the Mortgagee pursuant to Section 15;

Second: To the payment of the remainder of the Obligation.

Third: Upon payment in full of the Obligation, the balance, if any, to the Mortgagor or to such other person(s) as may lawfully be entitled to the remainder or as any court of competent jurisdiction may direct.

SECTION 13. The Mortgagee as Attorney. The Mortgagor hereby irrevocably and severally appoints the Mortgagee the true and lawful attorney of the Mortgagor (with full power of substitution) in the name, place and stead of, and at the expense of, the Mortgagor in connection with the enforcement of the rights and remedies provided for in Sections 11 and 12: (a) to give any necessary receipts or acquittances for amounts collected or received thereunder, (b) to make all necessary transfer of all or any part of the Mortgaged Aviation Property in connection with any sale, lease or other disposition made pursuant hereto and (c) to execute and

deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any such sale, lease or other disposition, the Mortgagor hereby ratifying and confirming all that its said attorney (or any substitute) shall lawfully do hereunder and pursuant hereto. Nevertheless, if so requested by the Mortgagee or a purchaser or lessor, the Mortgagor shall ratify and confirm any such sale, lease or other disposition by executing and delivering to the Mortgagee or such purchaser or lessor all proper bills of sale, assignments, releases, leases and other instruments as may be designated in any such request.

SECTION 14. Remedies Cumulative; Fees and Expenses. (a) No failure or delay on the part of the Mortgagee in exercising, and no course of dealing with respect to, any right, power or remedy under this Mortgage, and no notice or demand that may be given to or made upon the Mortgagor with respect to any such right, power or remedy, shall constitute a waiver thereof or limit or impair the rights of the Mortgagee to take any other or similar action or to exercise any other right, power or remedy granted in this Mortgage or otherwise available to the Mortgagee; nor shall any single or partial exercise of any right, power or remedy under this Mortgage include any other or further exercise thereof or the exercise of any other right, power or remedy granted in this Mortgage or otherwise available to the Mortgagee or prejudice its rights against the Mortgagor in any respect. Each and every remedy of the Mortgagee shall be cumulative and shall not be exclusive or any other remedies provided now or hereafter at law, in equity or otherwise.

(b) The Mortgagor shall reimburse the Mortgagee for all attorneys' fees and other expenses paid or incurred by the Mortgagee in exercising any rights, powers or remedies granted hereby.

(c) The Mortgagor agrees, to the extent now or hereafter permitted by applicable law, that neither it nor anyone claiming through or under it will set up, claim or seek to take advantage of any valuation, appraisal, stay, extension or redemption law now or hereafter in force in any locality where any property subject to the lien and security interest of this Mortgage may be located, in order to prevent, hinder or delay the enforcement or foreclosure of this Mortgage, or the sale of the Mortgaged Aviation Property (or any part thereof), or the purchaser's rights to absolute possession thereof immediately after such sale. The Mortgagor, for itself and all who may at any time claim through or under it, hereby waives, to the full extent now or hereafter permitted by applicable law, the benefit of all such laws, and any and all right to have any of the Mortgaged Aviation Property marshalled upon any such sale.

SECTION 15. The Mortgagee's Right to Perform for the Mortgagor. If the Mortgagor shall fail to make any payment required to be made by it hereunder or shall fail to perform or comply with any of its agreements contained herein, the Mortgagee may (but shall not be obligated to), upon five (5) days' prior written notice to the Mortgagor, make such payment or perform or comply with such agreement (including, without limitation, the agreement of the Mortgagor to maintain insurance pursuant to Section 9), and the amount of such payment and the amount of the reasonable expenses of the Mortgagee incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the highest post-maturity per annum rate of interest provided for in the

Purchase Note, shall be payable by the Mortgagor to the Mortgagee on demand and shall constitute additional indebtedness secured by the lien and security interest of this Mortgage.

SECTION 16. Further Assurances. The Mortgagor shall, at its own cost and expense (except as otherwise stated below): (i) as soon as practicable after the date hereof, cause each of the Mortgaged Airplanes and (if not prevented by applicable law or regulations or governmental authority, and if it will not adversely affect the proper use thereof) each Mortgaged Engine and Mortgaged Propeller included in the Mortgaged Aviation Property to be legibly marked (in a reasonably prominent location) with such a plate, disk or other marking of customary size, and bearing such a legend, as shall in the opinion of the Mortgagee be appropriate or desirable to evidence the fact that it is subject to the lien and security interest created by this Mortgage (and until such Mortgaged Airplane, Mortgaged Engine or Mortgaged Propeller shall be released from the lien and security interest of this Mortgage, the Mortgagor shall not remove or deface, or permit to be removed or defaced, any such plate, disk or other marking or the identifying manufacturer's serial number, and, in the event of such removal or defacement, shall promptly cause such plate, disk or other marking or serial number to be promptly replaced) and (ii) cause this Mortgage, and any and all additional instruments which shall be executed pursuant to the terms hereof, to be kept, filed and recorded, at all times, in such places in the United States and such places outside the United States to which any of the Mortgaged Airplanes shall be operated as shall be required in order to perfect and preserve the rights of the Mortgagee hereunder and furnish to the Mortgagee an opinion or opinions of counsel or other evidence satisfactory to the Mortgagee of each such filing or recordation, and, without limitation of any of the foregoing, at the request of the Mortgagee, promptly correct any defect, error or omission that may at any time hereafter be discovered in the contents of this Mortgage or in the execution, acknowledgment or delivery hereof, and will execute, acknowledge and deliver to the Mortgagee such further documents and assurances and take such further action as the Mortgagee may from time to time reasonably request in order to more effectively carry out the intent and purpose of this Mortgage and to establish and protect the rights and remedies created or intended to be created in favor of the Mortgagee hereunder without limiting anything set forth above, the Mortgagor authorizes the Mortgagee to file and record such financing statements, continuation statements and other instruments or documents with respect to the lien and security interest created hereby as the Mortgagee may reasonably deem necessary or appropriate fully to perfect the lien and security interest, or fully to protect its interests, hereunder.

SECTION 17. Termination. Unless otherwise provided herein, this Mortgage and the lien and security interest granted by this Mortgage shall terminate at the date when the Obligation shall have been irrevocably fully paid. Upon termination of this Mortgage, as aforesaid, the Mortgagee shall execute and deliver to the Mortgagor at the Mortgagor's expenses, such instruments of release and termination as shall be appropriate in the premises.

SECTION 18. Miscellaneous. Any provision of this Mortgage which shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable

law, the Mortgagor hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect. No term or provision of this Mortgage may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Mortgagor and the Mortgagee. All the terms, provisions, conditions and covenants herein contained shall be binding upon and shall inure to the benefit of the Mortgagor, the Mortgagee and their respective successors and assigns. The captions in this Mortgage are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 19. Governing Law. This Mortgage shall be construed and enforced in accordance with, and governed by the laws of the State of Indiana, except to the extent that the law of some other jurisdiction may be mandatorily applicable to the proceedings taken for the enforcement of the rights of the Mortgagee hereunder; provided, however, that any remedies herein provided that are valid under the laws of the jurisdiction where proceedings for the enforcement hereof shall be taken shall not be affected by any invalidity thereof under the laws of the State of Indiana.

SECTION 20. Execution and Delivery. This Mortgage may be executed in any number of counterparts, and each such counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement And Chattel Mortgage to be duly executed, as of the day and year first above written.

**COLGAN AIR, INC.**

By: \_\_\_\_\_  
Michael J. Colgan, President

**("Mortgagor")**

**ATA AIRLINES, INC.**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**("Mortgagee")**

State of Virginia        )  
                                  )SS:  
County of \_\_\_\_\_)

Before me, a Notary Public in and for the State of Virginia, personally appeared Michael J. Colgan, who first being duly sworn, acknowledged execution of the above Mortgage and Security Agreement for and on behalf of Colgan Air, Inc., as its duly authorized President.

Witness my hand and Notarial Seal this \_\_th day of August, 2005.

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Notary Public

My County of Residence Is: \_\_\_\_\_

My Commission expires: \_\_\_\_\_

ANNEX 1  
to Security Agreement  
and Chattel Mortgage

[FORM OF SUPPLEMENTAL CHATTEL MORTGAGE]

SUPPLEMENTAL CHATTEL MORTGAGE NO. \_\_\_\_\_

SUPPLEMENTAL CHATTEL MORTGAGE dated as of \_\_\_\_\_, \_\_\_\_\_, between COLGAN AIR, INC., a Virginia corporation (the "Mortgagor"), having its chief place of business at 10677 Aviation Lane, Manassas, Virginia 20110, as mortgagor, and ATA AIRLINES, INC., an Indiana corporation, with its principal offices at 7337 West Washington Street, Indianapolis, Indiana 46231 (the "Mortgagee"), as mortgagee under the Mortgage described below;

WHEREAS the Mortgagor has heretofore executed and delivered to the Mortgagee a Security Agreement and Chattel Mortgage dated August \_\_, 2005 (hereinafter called the "Mortgage"), covering the property of the Mortgagor therein described, to secure the due and punctual payment and performance of the Obligation (as defined in the Mortgage);

WHEREAS the Mortgage was duly recorded with the Federal Aviation Administration at Oklahoma City, Oklahoma, on August \_\_, 2005, as Conveyance No. \_\_\_\_\_ pursuant to the Federal Aviation Act of 1958, as amended;

WHEREAS the Mortgagor is the legal and beneficial owner of each of the "Engines" (as hereinafter defined) and/or "Propellers" (as hereinafter defined), free and clear of all liens and encumbrances except Permitted Encumbrances, and desires to execute and deliver this Supplemental Chattel Mortgage for the purpose of specifically subjecting said property to the lien of the Mortgage; and

WHEREAS all things necessary to make this Supplemental Chattel Mortgage valid, binding and legal obligation of the Mortgagor, including all proper corporate action on the part of the Mortgagor, have been done and performed and have happened;

NOW, THEREFORE, THIS SUPPLEMENTAL CHATTEL MORTGAGE WITNESSETH, that, to secure the due and punctual payment and performance of the Obligation and to secure performance of all obligations and covenants of the Mortgagor under the Mortgage, as supplemented hereby, the Mortgagor hereby mortgages to the Mortgagee, and

grants to the Mortgagee a security interest in the following engine(s) (the "Engines"), each of said engines being 750 or more rated takeoff horsepower or its equivalent:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
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TO HAVE AND TO HOLD all and singular the Engines unto the Mortgagee, and its successors and assigns, for the uses and purposes and subject to the terms, provisions, agreements and covenants set forth in the Mortgage.

NOW, THEREFORE, THIS SUPPLEMENTAL CHATTEL MORTGAGE WITNESSETH, that, to secure the due and punctual payment and performance of the Obligation and to secure performance of all obligations and covenants of the Mortgagor under the Mortgage, as supplemented hereby, the Mortgagor hereby mortgages to the Mortgagee, and grants to the Mortgagee a security interest in the following propellers(s) (the "Propellers"), each such propeller capable of absorbing 750 or more rated take-off shaft horsepower or the equivalent thereof:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
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TO HAVE AND TO HOLD all and singular the Propellers unto the Mortgagee, and its successors and assigns, for the uses and purposes and subject to the terms, provisions, agreements and covenants set forth in the Mortgage.

This Supplemental Chattel Mortgage is intended to be delivered in the State of Indiana and shall be governed by the laws of that State.

This Supplemental Chattel Mortgage shall be construed as supplemental to the Mortgage and shall form a part thereof, and the Mortgage is hereby incorporated by reference herein and is hereby ratified, approved and confirmed.

This Supplemental Chattel Mortgage may be executed in any number of counterparts, each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same Supplemental Chattel Mortgage.



IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Chattel Mortgage to be duly executed, as of the day and year first above written.

COLGAN AIR, INC.,

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

("Mortgagor")

SCHEDULE I TO SECURITY AGREEMENT AND CHATTEL MORTGAGE

**The Mortgaged Aircraft**

The following aircraft:

<u>Manufacturer</u>	<u>Model</u>	<u>Mfg. Serial No.</u>	<u>U.S. Registry No.</u>
Saab Aircraft AB	340B	340B-201	N309CE
Saab Aircraft AB	340B	340B-214	N311CE

**The Mortgaged Engines:**

The following engines, each of said engines being 750 or more rated takeoff horsepower or its equivalent:

<u>Manufacturer</u>	<u>Model</u>	<u>Mfg. Serial No.</u>
General Electric	CT7-9B	GE-E-785273
General Electric	CT7-9B	GE-E-785553
General Electric	CT7-9B	GE-E-785519
General Electric	CT7-9B	GE-E-785174

**The Mortgaged Propellers:**

Four (4) propellers, each such propeller capable of absorbing 750 or more rated take-off shaft horsepower or the equivalent thereof, whether or not such propellers shall be installed in or attached to the above Engines or any other engine, identified as follows:

<u>Manufacturer</u>	<u>Model</u>	<u>Manufacturer's Serial Number</u>
Hamilton Standard	14RF-19	900527
Hamilton Standard	14RF-19	900525
Hamilton Standard	14RF-19	900718
Hamilton Standard	14RF-19	900717

**Exhibit F**

## PROMISSORY NOTE

\$1,700,000.00  
Indianapolis, Indiana

August \_\_, 2005

**FOR VALUE RECEIVED**, the undersigned ("**Maker**"), promises to pay to the order of ATA AIRLINES, INC., an Indiana corporation (hereinafter called "**Payee**," which term shall include any holder hereof) at such place as Payee may designate by written notice to Maker or, in the absence of such designation, at Payee's office at 7337 W. Washington Street, Indianapolis, Indiana 46231, the sum of One Million Seven Hundred Thousand and no/100 Dollars (\$1,700,000.00) (hereinafter referred to as the "**Debt**"), together with interest as hereinafter provided and payable at the time and in the manner hereinafter provided.

This Promissory Note ("**Note**") is given to evidence the indebtedness of Maker to Payee arising in connection with Maker's purchase from Payee of certain aircraft, aircraft engines and propellers (the "**Saab Aircraft Assets**"). Maker affirms that it shall not be entitled to offset against any indebtedness of Maker evidenced by this Note any indemnification claim or claims Maker has or may have against Payee or any other person under or pursuant to any agreement between Payee and Maker.

### MATURITY

This Note shall mature on that date which is the earlier of: (i) \_\_\_\_\_, 2005, which is One Hundred Twenty (120) days after the Note Date (as hereinafter defined); or (ii) that date on which Payee accelerates payment of this Note in accordance with the terms hereof (the "**Maturity Date**"). On the Maturity Date, the principal balance of the Debt outstanding on such date, together with all accrued, unpaid interest thereon, shall be due and payable in full.

### INTEREST

The principal balance of the Debt outstanding from time to time from and after the date of this Note (the "**Note Date**") shall bear interest (computed on the basis of a 360-day year and actual days elapsed) as follows: (i) from and after the Note Date until the Maturity Date, at a rate per annum equal to Eight percent (8.00%) per annum; and (ii) after the Maturity Date, until paid in full, at a rate per annum equal to Twelve percent (12%) per annum.

### PAYMENTS

The principal and interest of this Note shall be payable as follows: Interest on the outstanding principal balance of the Debt shall be due and payable monthly in arrears commencing on the last day of September, 2005, and continuing on the last day of each successive calendar month thereafter through and including the Maturity Date. The entire remaining principal balance of the Debt, and all accrued, unpaid interest thereon, shall be due and payable by Maker in full on the Maturity Date. After the Maturity Date, interest which accrues on this Note shall be payable as accrued and without demand. Unless otherwise agreed to in writing, or otherwise required by applicable law, payments made under this Note will be applied first to accrued late fees, then to accrued, unpaid interest, then to principal, and any remaining amount to any unpaid collection costs, attorneys' fees and other charges; provided however, upon delinquency or other default, Payee reserves the right to apply payments among principal, interest, collection costs, attorneys' fees and other charges at its discretion, as determined by Payee. All amounts payable under this Note shall be payable without relief from valuation and appraisal laws, and with all collection costs and reasonable attorneys' fees. The principal of this Note may be prepaid in whole or in part at any time and from time to time without penalty or premium.

### LATE CHARGE

In the event any payment due hereunder is not received by Payee in full within fifteen (15) days after the due date thereof, and the same subsequently is received and accepted by Payee, Maker shall pay Payee on

demand a late charge in the amount of Two Percent (2%) of the amount of the delinquent payment, up to the maximum amount of \$500.00 per late charge.

### SECURITY

This Note is secured by a Security Agreement and Chattel Mortgage, dated as of the Note Date, executed by Maker in favor of Payee (as the same may be amended, supplemented and/or restated from time to time, being referred herein as the "**Mortgage**").

### DEFAULT

Each of the following events shall constitute an "**Event of Default**" for purposes of this Note and each such Event of Default shall be deemed to exist and continue so long as, but only so long as, it shall not have been remedied:

- (a) Maker shall default in the payment when due of any amount payable under this Note.
- (b) There shall be a "Default Event", as such term is defined in the Mortgage.

Upon the occurrence of an Event of Default, the entire unpaid balance of principal and interest of this Note, and all accrued, unpaid late fees, shall become due and payable immediately, without notice or demand, at the election of the holder of this Note.

### GENERAL PROVISIONS

Maker, and any endorser, surety, or guarantor, hereby waives presentment, notice of dishonor, protest, notice of protest, and diligence in bringing suit against any party hereto, waive the defenses of impairment of collateral for the obligation evidenced hereby, impairment of a person against whom Payee has any right of recourse, and any defenses of any accommodation maker and consent that without discharging any of them, the time of payment of this Note may be extended an unlimited number of times before or after maturity without notice to Maker. Maker agrees that it will pay the obligations evidenced hereby, irrespective of any action or lack of action on Payee's part in connection with the acquisition, perfection, possession, enforcement, disposition, or modification of all the obligations evidenced hereby or any and all security therefore, and no omission or delay on Payee's part in exercising any right against, or taking any action to collect from or pursue Payee's remedies against Maker will release, discharge, or modify the duties of Maker to make payments hereunder. Maker agrees that Payee, without notice to or further consent from Maker, may release any collateral and security now held or hereafter acquired, and no such action will release, discharge or modify the duties of Maker hereunder or under the Mortgage. Maker agrees that Payee will not be required to pursue or exhaust any of its rights or remedies against Maker with respect to the payment of such indebtedness, or to pursue, exhaust or preserve any of Payee's rights or remedies with respect to any collateral, security or other guaranties given to secure such indebtedness.

The indebtedness evidenced hereby may from time to time be evidenced by another note or notes given in substitution, renewal, restatement, replacement or extension hereof. The Mortgage shall remain in full force and effect notwithstanding any such substitution, renewal, replacement or extension.

The captions used herein are for references only and shall not be deemed a part of this Note. If any of the terms or provisions of this Note shall be deemed unenforceable, the enforceability of the remaining terms and provisions shall not be affected.

### WAIVER OF RIGHT TO TRIAL BY JURY/JURISDICTION/GOVERNING LAW

MAKER AND PAYEE (BY ITS ACCEPTANCE HEREOF) HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED UPON CONTRACT, TORT OR

OTHERWISE) BETWEEN OR AMONG MAKER AND PAYEE ARISING OUT OF OR IN ANY WAY RELATED TO THIS NOTE OR ANY OTHER RELATED DOCUMENT. THIS PROVISION IS A MATERIAL INDUCEMENT TO PAYEE TO ACCEPT THIS NOTE AS PART OF THE CONSIDERATION FOR PURCHASE OF THE SAAB AIRCRAFT ASSETS. MAKER AND PAYEE (BY ITS ACCEPTANCE HEREOF) (A) SUBMIT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT SITTING IN INDIANA IN ANY ACTION OR PROCEEDING ARISING OUT OF OR IN ANY WAY RELATED TO THIS NOTE OR ANY OTHER RELATED DOCUMENT, (B) AGREE THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT, (C) WAIVE ANY CLAIM OF INCONVENIENT FORUM OR OTHER CHALLENGE TO VENUE IN SUCH COURT AND (D) AGREE NOT TO BRING ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR ANY RELATED DOCUMENT IN ANY OTHER COURT. THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS NOTE SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF INDIANA WITHOUT REGARD TO ITS CHOICE OR CONFLICTS OF LAWS PROVISIONS.

Executed and delivered this \_\_\_\_ day of August, 2005.

COLGAN AIR, INC.  
a Virginia corporation

By: \_\_\_\_\_  
Michael J. Colgan, President

(**“Maker”**)