

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

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

**MOTION FOR APPROVAL OF PROCEDURES TO ENTER INTO NEW LEASES FOR
CERTAIN BOEING 767-300 AIRCRAFT**

The debtors and debtors in possession (collectively, the "Debtors") in the above captioned chapter 11 cases (the "Chapter 11 Cases"), hereby file this motion (the "Motion") for entry of an order, the proposed form of the which is attached hereto as Exhibit A (the "Order"), authorizing Debtor ATA Airlines, Inc. ("ATA"), and other such Debtors as may be necessary to negotiate and execute letters of intent and definitive agreements for leasing Boeing 767-300 aircraft within certain terms and conditions. The parameters of such terms and conditions are attached to this Motion as Exhibit B, requested to be filed under seal but shared under confidentiality pursuant to the orders entered in this Court with the Committee, the ATSB Lender Parties, the DIP Lender, and the United States Trustee.

In support of this Motion, the Debtors state as follows:

JURISDICTION

1. On October 26, 2004 (the "Petition Date"), each of the Debtors filed with the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division

¹ The Debtors are the following entities: ATA Holdings Corp. (04-19866), ATA Debtors, Inc. (04-19868), Ambassadors Travel Club, Inc. (04-19869), ATA Leisure Corp. (04-19870), Amber Travel, Inc. (04-19871), American Trans Air Execujet, Inc. (04-19872), ATA Cargo, Inc. (04-19873), and Chicago Express Debtors, Inc. (04-19874).

(the "Bankruptcy Court"), its respective voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. as amended (the "Bankruptcy Code") commencing these Chapter 11 Cases. The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

2. No trustee has been appointed. On November 1, 2004, the United States Trustee appointed an official committee of unsecured creditors (the "Committee") pursuant to §1102(a)(1) of the Bankruptcy Code.

3. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before this Court under 28 U.S.C. §§ 1408 and 1409.

4. The statutory basis for the relief sought herein is Section 365(a) of the Bankruptcy Code.

RELIEF REQUESTED

5. For the reasons stated below, the Debtors request that the Court enter an order authorizing ATA to negotiate and execute letters of intent and definitive agreements for leases within certain terms and conditions consented to by the Committee and Southwest Airlines, Inc. as the debtor in possession lender in these Chapter 11 Cases ("DIP Lender"). The Debtors have and continue to reach consent with the Air Transportation Stabilization Board ("ATSB") and the lenders with interests in cash collateral under the loans guaranteed by the ATSB (collectively with the ATSB, the "ATSB Lender Parties").

BASIS FOR RELIEF

6. During these Chapter 11 Cases, the Debtors have determined, in consultation with the Committee, and the DIP Lender (collectively, the Committee and the DIP Lender may be referred to as the "Constituent Parties") that the aircraft fleet maintained by the Debtors needs to be reconfigured and resized both in the number and type of aircraft employed to maximize the business return to the estates and their creditors and to effect a successful reorganization. To that effect, the Debtors, again in cooperation with the Constituent Parties, have identified the Boeing 767-300 aircraft ("Aircraft") as being desirable aircraft to effect the proposed reconfiguration.

7. The Aircraft are, due to market forces, in demand within the commercial passenger airline industry (the "Industry") to the extent that any such Aircraft identified to the Industry are immediately subject to intense bidding pressure. This pressure ensures that only those bidders able to quickly supply a bid and prove both the authority and capability of performing any such bid, such as securing financing, can be successful. The Debtors have tried to team up with potential bidders to have a bidder acquire the Aircraft with the Debtors committing to lease the Aircraft. However, since the Debtors' ability to commit to enter into a lease for such Aircraft is subject to the approval of this Court, potential bidders have either refused to bid on the Aircraft until after the Debtors receive the approval of this Court regarding a lease of such Aircraft or have required their bids for the Aircraft to be contingent on such approval, in each case resulting in the Debtors being unsuccessful in leasing such Aircraft due to the uncertainty of when and if such approval by this Court may be obtained.

8. The Constituent Parties have recognized the importance of these Aircraft to the successful reorganization of the Debtors' businesses and have negotiated with the Debtors

certain terms and conditions, under which, the Constituent Parties, with notice provided to them of the bidding opportunity, would give their prior consent to Debtors to execute letters of intent and enter into definitive agreements as to the Aircraft. Those terms and conditions identify the type of Aircraft and engines, types of lessors, type and duration of leases, maximum acquisition payments, maximum lease payments, and certain others provisions within which the Constituent Parties and the Debtors have determined that such leases would be economically viable and would significantly contribute to the successful reorganization of the Debtors' businesses. The negotiated parameters are set forth on Exhibit B, which has been requested to be filed under seal to maintain viable negotiations with leasing parties.

9. As part of the Debtors' ongoing restructuring efforts, the Debtors are analyzing their flight schedules, aircraft and engine types and costs, projected demand for air travel, labor costs and other business factors in conjunction with the use of their entire fleet of aircraft and engines. Through this analysis, the Debtors intend to maximize the fleet's utility at the lowest possible cost to the estates and to work towards a successful reorganization. ATA has, in its sound business judgment, determined that seeking authority to lease the Aircraft within the negotiated parameters is in the best interests of its estate and creditors. Section 363(b)(1) of the Bankruptcy Code provides that the Debtors "after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 362(b)(1). The standard for approving such a transaction outside the ordinary course of business is whether the debtor has some articulated business justification for the transaction. In re Shipper, 933 F.2d 513, 515 (7th Cir. 1991). By this Motion, the Debtors are seeking approval and authority from this Court for a certain type of transaction rather than any one specific transaction. Further, in this case, the Debtors' business judgment has been vetted in advance by the Constituent Parties, who

agree that such transactions not only reflect sound business judgment but will contribute to the successful reorganization of the Debtors resulting in a betterment of the return to creditors of the estates.

10. The business judgment rule has vitality in chapter 11 cases and shields a debtor's management from judicial second-guessing. See, e.g., Official Comm. Of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.), 147 B.R. 650, 656 (S.D.N.Y. 1992); see also Committee of Asbestos-Related Litigants and/or Creditors v. Johns-Manville Corp (In re Johns-Manville Corp.), 60 B.R. 612, 615-16 (Bankr. S.D.N.Y. 1986) ("[T]he Code favors the continued operation of a business by a debtor and a presumption of reasonableness attaches to a debtor's management decisions.").

11. The Aircraft are important to the Debtors' business plan and future operations. The terms and conditions within which the Debtors seek authority to lease the Aircraft are fair and reasonable and consistent with market rates and terms.

12. In light of the foregoing, the grant of authority to effect transactions for the leasing of the Aircraft is in the best interests of the Debtors' estates and creditors and constitutes a proper exercise of the Debtors' sound business judgment.

NO PRIOR REQUEST

13. No prior motion for the relief requested herein for been made to this or any other Court.

WHEREFORE, the Debtors request that the Court enter an order, substantially in the form attached hereto as Exhibit A, authorizing the Debtors to negotiate and execute, within the parameters set forth on Exhibit B, leases for the Aircraft, all without further order of this Court.

Respectfully submitted,

BAKER & DANIELS

By: /s/ Terry E. Hall

Attorneys for the Debtors and Debtors-in-Possession

James M. Carr (#3128-49)
Terry E. Hall (#22041-49)
Stephen A. Claffey (#3233-98)
Melissa M. Hinds (#24230-49)
Jeffrey C. Nelson (#25173-49)
300 North Meridian Street, Suite 2700
Indianapolis, Indiana 46204
Telephone: (317) 237-0300
Facsimile: (317) 237-1000
jim.carr@bakerd.com
terry.hall@bakerd.com
steve.claffey@bakerd.com
melissa.hinds@bakerd.com
jeffrey.nelson@bakerd.com

Wendy W. Ponader (#14633-49)
Ponader & Associates, LLP
5241 North Meridian Street
Indianapolis, Indiana 46208
Telephone: (317) 496-3072
Facsimile: (317) 257-5776
wponader@ponaderlaw.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served this 10th day of May 2005, by electronic mail, facsimile, hand delivery or overnight mail on the Core Group, 2002 List, Appearance List, and Lessor.

/s/ Terry E. Hall