TA – 12/21/04

LETTER

of

AGREEMENT

THIS LETTER OF AGREEMENT is entered into by and between ATA Airlines, Inc. ("ATA" or the "Company") and the Air Line Pilots Association, International (the "Association"), collectively referred to as "the Parties," pursuant to the terms of the Railway Labor Act, as amended.

WHEREAS, the Parties desire to establish temporary rules governing the Realignment and Displacement actions generated by the restructuring of the Company, and

WHEREAS, the Parties desire to establish appropriate pay protections for Crewmembers affected by these special work rules,

NOW, THEREFORE, the parties agree as follows:

A. Objective:

The Company needs relief from the Agreement, Section 24: Filling of Vacancies and Displacement and Section 23: Furloughs and Recall.

During this restructuring period (one year period commencing from the Displacement Bid effective date), the Company needs to displace and furlough excess Crewmembers as quickly as possible, and with the minimum amount of equipment transition training, in order to conserve maximum cash thereby increasing the probability of the survival of the remaining airline and Crewmembers.

The Company needs to realign the remaining Crewmembers for the new, smaller ATA to their new Status/Base as quickly and efficiently as possible both in terms of training costs and eliminating the excess Crewmember salaries.

B. Intent:

The Company intends to follow the Agreement and to honor seniority to the greatest degree possible, however the Company needs the flexibility to temporarily retain Status qualified Crewmembers in exchange for Status pay protection, on a one-for-one basis, according to the below process.

C. Definition for purposes of this Letter of Agreement

"Protected Furloughee" means a Crewmember on Furlough who is being pay protected by being paid his guarantee, based on the Status held just prior to Furlough, while on a one-for-one basis, a more junior Crewmember is retained as an active Crewmember. Such Crewmember shall owe no further obligation to the Company while on Furlough than any other Crewmember on Furlough who is not on the active payroll. Such pay protected furloughed Crewmember shall be eligible to continue to receive benefits (e.g. insurance, make 401k contributions, etc.) during the period he is receiving pay protection.

D. Modified Realignment/Displacement Process

The process will take place in one step but with the following limitations:

a. One "system flush" Displacement Bid will be posted with one effective date. However, displacement moves in seniority order, as much as possible, may be advanced or deferred for operational staffing requirements and to facilitate the furlough process in order to avoid carrying excess Crewmembers.

b. Status and Base displacements will be combined into a single displacement bid for the purpose of fencing the amount of transition training events. The Company will identify the number and names of Crewmembers affected by a Status displacement. All Crewmembers in that Status and Base will be entitled to bid their seniority for a new Status and/or Base. However, only a number equal to the published Status displaced number will be awarded a new Status that results in a Status training event. This provision will also apply to a Status that is bumped due the displacement of another Status. For example, a CHI B757 Captain bumps to LAX L1011 Captain. The junior LAX L1011 Captain is now bumped from L1011 Captain Status. We would permit one (1) senior LAX L1011 Captain to bid out of the L1011 Captain Status in lieu of the junior LAX L1011 Captain. The net result remains at one (1) Status training event.

Example A. There are 172 CHI B757 Captains. A bid is posted that closes CHI as a Base and identifies the junior twenty-three (23) B757 Captains to be furloughed, forty-eight (48) to be displaced to a First Officer Status and seventeen (17) to be displaced to a Captain Status. These seventeen (17) Captains that are to be Captain Status displaced, in inverse seniority order, will be awarded new Captain Status bids that result in either a

L1011 or B737 Captain training event. However, a senior B757 Captain that is not identified to be Captain Status displaced may elect to bid and be awarded a new Captain Status in lieu of a junior displaced B757 Captain. The remaining eighty-four (84) CHI B757 Captains will be Base displaced to other B757 Captain vacancies. All displaced Captains may bid to displace any First Officer regardless of the training requirements.

Example B. There are 214 CHI B737 Captains. A bid is posted that closes CHI as a Base and identifies the junior fifty-three (53) B737 Captains to be furloughed and one hundred twenty (120) to be displaced to a First Officer Status. The remaining forty-one (41) CHI B737 Captains will be Base displaced to other B737 Captain vacancies. Since there are no planned Captain Status displacements, no B737 Captains can be awarded another Captain Status. All displaced Captains may bid to displace any First Officer regardless of the training requirements.

c. This modified realignment/displacement bid shall not constitute a Realignment as contemplated in Section 24.I.4.

D. Additional Relief

The following relief is required during this restructuring period to reduce the time and costs associated with this realignment, displacement, and furlough:

1. Notice of the Base closings/reductions would be reduced to thirty (30) days notice except, in order to meet federal/state laws (e.g. WARN Act). The Realignment and/or Displacement bid is to run concurrent with this notice.

2. During this restructuring period, any Captain that is displaced may be assigned on a Monthly basis, in inverse seniority order, to fly as a First Officer on the same aircraft until either of the earliest events occurs: 1) the effective date of his First Officer displacement bid; 2) no Captain junior to him in his Status/Base is still flying in that Status/Base; 3) he is trained for his new Status or 4) he is furloughed. Such Captain flying as a First Officer will be Status pay protected until he commences IOE for his new Status. Captains assigned to fly as First Officers under this provision will be identified and shall bid Monthly flying as a First Officer. Such Captains may not bid for Captain open time or be Involuntarily Junior Assigned to a Captain or First Officer Trip. Such Captain may be Voluntarily Junior Assigned in accordance with Section 25.V.5.

   Example A. A B757 Captain is displaced to a B737 Captain effective June 01, 2005. Effective for the February bid Month, the Company may assign him to fly as a B757 First Officer until he can

be trained as a B737 Captain. He will continue to receive B757 Captain pay protection until June 01 at which time he will receive B737 Captain pay protection. He will continue to fly as a B757 First Officer, receiving B737 pay until he starts B737 Captain OE.

Example B. A B757 Captain is advised that he will be displaced effective March 02, 2005 and furloughed effective July 01, 2005. Effective for the February bid Month, the Company may assign him to fly as a B757 First Officer. He will continue to receive B757 Captain pay protection until his furlough date of July 01.

Example C. A B737 Captain is displaced to B757 First Officer effective June 1, 2005. He may be required to fly as a B737 First Officer until he commences B757 training. He will be pay protected as a B737 Captain until the later of June 1, 2005 or the start of B757 training.

3. Displaced Crewmembers will only be trained once. They will be trained for the Status that they are displaced to. They will not be trained for any "interim" Status that their seniority could hold during this process.

   Example. A B757 Captain is displaced and is awarded a B757 F/O bid effective July 01, 2005. His seniority could hold a B737 Captain position in March 2005. He will not be entitled to be trained as a B737 Captain. He will continue to receive B757 Captain pay until July 01, 2005.

4. The Company has up to twelve (12) months from the bid effective date to train a Crewmember to a new B757 or B737 Status, and up to eighteen (18) months to a new L1011 Status, for which he is not qualified. He will be pay protected for a higher Status from the effective date of the displacement bid.

5. The Company may furlough Crewmembers as necessary within their Group to operate flying, provided that for each month, the most senior Crewmember(s) who are placed on Furlough, regardless of the equipment they are flying, are retained as Protected Furloughees on a one-for-one basis for every more junior First Officer who is scheduled to be furloughed and who is retained as an active Crewmember. As each more senior Crewmember who is trained to assume a First Officer position completes IOE, the junior retained First Officer will be Furloughed and the most junior of the Protected Furloughees will no longer be a Protected Furloughee. Furloughs that result from this provision will take place at the end of a Bid Month.

   Example: Effective January 31, 2005, 150 Crewmembers are to be furloughed. Of these, 10 are junior B757 First Officers. In order to

retain these 10 junior B757 First Officers, the 10 most senior Crewmembers who are Furloughed January 31, 2005 will be Protected Furloughee(s).

Effective March 2, 2005, an additional 50 Crewmembers are to be furloughed. Now a total of 15 junior B757 First Officers must be retained. Therefore, the 15 most senior Crewmembers who are Furloughed March 2, 2005 will be Protected Furloughees. The previous 10 Crewmembers who were furlough protected and retained on January 31, 2005 will now be furloughed.

6. A Crewmember who is on a published projected furlough list (including Protected Furloughees) will not be awarded, pay protected, or trained for any "interim" Status that his seniority might hold prior to his furlough date, except as identified above.

7. For this Realignment and Displacement bid process, all Status/Base Preference bids on file will be discarded and new bids will be required.

8. Training of a retained junior Crewmember's replacement must commence as soon as possible but in no event later than one hundred eighty (180) days of the date that the junior Crewmember would have been furloughed without consultation with the Association.

This Letter of Agreement ### shall be effective on DOS and shall expire on the earlier of 1) the furlough of the senior First Officer retained out of seniority, 2) the recall of any Crewmembers junior to the most senior First Officer retained out of seniority or 3) June 30, 2006.

IN WITNESS WHEREOF, the Parties hereto have signed this Interim Relief Letter of Agreement this ___ day of December, 2004.

For ATA AIRLINES, INC.

Richard W. Meyer, Jr.
Sr. Vice President
Employee Relations

For THE AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

Duane E. Woerth
President

Erik A. Engdahl
Chairman, ATA MEC