

Exhibit 1

SETTLEMENT AGREEMENT

This Settlement Agreement (the "Settlement Agreement") is entered into as of the ____ day of January 2006 by ATA Airlines, Inc., and Indiana corporation ("ATA") and Flying Food Group, LLC. ("Seller").

RECITALS

1. ATA and Seller are parties to a certain contract under which Seller sells and delivers to ATA catering products and services (the "Agreement").
2. On October 26, 2004 (the "Petition Date"), ATA filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "ATA Bankruptcy Case") in the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division (the "Bankruptcy Court").
3. On or about October 28, 2004, Seller filed its (i) Emergency Motion for an Order Compelling Debtor's Election Under 11 U.S.C. Section 365 and for Other Relief, and (ii) Motion for Expedited Hearing on Emergency Motion. Thereafter, on or about December 30, 2004, ATA filed its Motion for Authority To Approve Stipulation with Flying Foods for Post Petition Services. On or about January 12, 2005, the Bankruptcy Court entered a Order Approving Agreed Entry with Flying Foods for Post Petition Services (the "Order Approving Agreed Entry").
4. Prior to the Petition Date, Seller claims that ATA owed Seller \$1,242,399.18 (the "Prepetition Claim") on account of services rendered by Seller to ATA pursuant to the Agreement.
5. ATA and Seller have both continued to perform under the Agreement, as amended by the Order Approving Agreed Entry, through the date herein.
6. The services provided by Seller are significant to ATA's business operations and ATA desires to retain Seller's services for an extended term.
7. ATA has indicated that it would prefer to reject the Agreement and enter into a new agreement (the "Revised Agreement") with Seller. Seller has indicated that it will agree to enter into the Revised Agreement upon the occurrence of the following:
 - (i) ATA shall obtain an order from the Bankruptcy Court authorizing ATA to execute this Settlement Agreement,
 - (ii) ATA shall obtain an order from the Bankruptcy Court deeming the Prepetition Claim an allowed general unsecured claim in the ATA Bankruptcy Case, and

- (iii) ATA shall obtain an order from the Bankruptcy Court authorizing ATA to enter into the Revised Agreement.

AGREEMENT

Now therefore, in consideration of the recitals, and for good and valuable consideration the receipt and sufficiency of which is acknowledged, it is mutually agreed as follows:

1. ATA shall file a motion and obtain an order from the Bankruptcy Court (i) rejecting the Agreement pursuant to section 365(a) of title 11 of the United States Code (the “Bankruptcy Code”) and (ii) allowing Seller’s Prepetition Claim as a general unsecured claim (the “Rejection And Claim Allowance Order”).

2. ATA shall file a motion and obtain an order from the Bankruptcy Court authorizing ATA to enter into the Revised Agreement (the “Revised Agreement Order”).

3. ATA shall file a motion and obtain an order from the Bankruptcy Court authorizing ATA to enter into this Settlement Agreement (the “Settlement Agreement Order”).

4. Upon the entry by the Bankruptcy Court of the (i) Rejection And Claim Allowance Order, (ii) Revised Agreement Order, and (iii) Settlement Agreement Order, Seller and ATA shall simultaneously execute this Settlement Agreement and the Revised Agreement.

5. Effective upon execution of this Settlement Agreement, and except as specifically provided for herein, ATA and Seller hereby release and discharge each other and their respective members, principals, agents, accountants, attorneys, employers, representatives, predecessors, successors, assigns, affiliates, co-debtors, affiliated debtors, officers and directors, as applicable, from any and all claims, counterclaims, rights, demands, costs, damages, losses, liabilities, attorneys’ fees, actions and causes of action whatsoever, whether known or unknown, liquidated, fixed, contingent, material, immaterial, disputed, undisputed, legal or equitable arising from or related to the Prepetition Agreement or other conduct by either party through and including the later of the date of an order approving the Settlement Agreement or the Effective Date that they may have against each other, including but not limited to any and all actions (including avoidance actions) under Chapter 5 of the Bankruptcy Code.

6. Except for the Prepetition Claim, Seller hereby releases ATA and all other affiliated debtors from any remaining pre-petition claim Seller may have against ATA or any affiliated debtor.

7. Notwithstanding paragraph 5 above, nothing herein shall be deemed a waiver, release or discharge of any post petition claim Seller may have against ATA from and after the Petition Date.

8. Simultaneously with the execution of this Settlement Agreement, ATA and Seller shall enter into the Revised Agreement in form and substance substantially similar to the Revised Agreement attached hereto as Exhibit A.

9. Each person signing this Settlement Agreement in a representative capacity warrants to the other party to this Settlement Agreement that he/she is legally competent and fully authorized to sign and enter into this Settlement Agreement on behalf of the corporation or entity for which he/she signs.

10. This Settlement Agreement shall be valid and binding on the parties and their respective successors and assigns.

11. This Settlement Agreement may be executed by facsimile and in counterparts, which, when fully executed, shall constitute a single original. This Settlement Agreement constitutes the entire agreement between Seller and ATA.

12. This Settlement Agreement may not be modified or amended except in writing signed by both Seller and ATA or their successors in interest.

13. This Settlement Agreement shall be construed without regard to any presumption or other rule requiring construction against the party causing the document to be drafted. Each party is entering into this Settlement Agreement voluntarily, without duress, with the consultation and advice of its legal counsel (or upon a voluntary waiver of the right to such consultation and advice), and with full understanding of its terms.

IN WITNESS WHEREOF, Seller and ATA have executed this Settlement Agreement as of the date first written above.

FLYING FOOD GROUP, LLC.

By: David L. Cotton

Name: David L. Cotton

Title: Chief Financial Officer

ATA AIRLINES, INC.

By: [Signature]

Name: Daphne Vargh

Title: CFO