

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

IN RE:)	Chapter 11
)	
ATA HOLDINGS CORP., <i>et al.</i> ,)	Case No. 04-19866
)	(Jointly Administered)
)	
Debtors.)	
)	

**STATEMENT OF THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS IN SUPPORT OF THE FIRST AND
FINAL APPLICATION OF COMPASS ADVISERS, LLP FOR ALLOWANCE
OF COMPENSATION FOR SERVICES RENDERED AND REIMBURSEMENT
OF EXPENSES AS INVESTMENT BANKER AND FINANCIAL ADVISOR TO
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF ATA
HOLDINGS CORP., ET AL FOR THE PERIOD FROM
NOVEMBER 4, 2004 THROUGH FEBRUARY 28, 2006 AND FOR OTHER RELIEF**

The Official Committee of Unsecured Creditors (the “Committee”) of ATA Holdings Corp. and its affiliated debtors and debtors in possession (collectively, the “Debtors”), by and through its undersigned co-counsel, hereby submits this statement (the “Statement”) regarding the First and Final Application of Compass Advisers, LLP for Allowance of Compensation for Services Rendered and Reimbursement of Expenses as Investment Banker and Financial Advisor to the Official Committee Of Unsecured Creditors of ATA Holdings Corp., et al for the Period from November 4, 2004 Through February 28, 2006 and for Other Relief (the “Compass Final Fee Application”). In support of its Statement, the Committee respectfully represents as follows:

PRELIMINARY STATEMENT

The Committee supports the relief requested in the Compass Final Fee Application as it believes that the payment of the fees and expenses requested by Compass Advisers, LLP (“Compass”) as reflected in the Compass Final Fee Application, including the payment of the \$1

million Additional Services Fee (as defined herein), is reasonable and equitable, given the facts and circumstances of the Debtors' chapter 11 cases.

While the Committee acknowledges that the scope of Compass' retention as described in the Retention Letter (as defined herein) does not specifically include the provision of the Additional Services (as defined below) that Compass provided to the Committee, the Committee urges this Court to retroactively authorize an expansion of the scope of Compass' retention in order to more equitably and appropriately compensate Compass for its efforts.

As a result of Compass' services to and on behalf of the Committee, the Committee strongly believes that unsecured creditors of the Debtors' estates received a significant improvement in recoveries. Indeed, the Committee believes that an important component of unsecured creditor recoveries was a direct result of Compass' active and diligent involvement.

Furthermore, Compass' compensation request, even including the payment of the Additional Services Fee, is commensurate with, or less than, the requests made by many of the professionals significantly involved in these chapter 11 cases. Accordingly, the Committee respectfully requests that the Court approve payment of the fees and expenses requested in the Compass Final Fee Application.

BACKGROUND

1. On October 26, 2004 (the "Petition Date"), each of the Debtors commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors' chapter 11 cases were consolidated for procedural purposes only and have been jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure.

2. Pursuant to sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors were authorized to operate their businesses and manage their properties as debtors in possession until February 28, 2006 (the “Effective Date”), when the First Amended Joint Chapter 11 Plan for Reorganizing Debtors, as further immaterially modified, became effective.

3. No trustee or examiner was appointed in the Debtors’ chapter 11 cases other than the examiner appointed in connection with the estate of Chicago Express Airlines, Inc. (“Chicago Express”),¹ which examiner has concluded his duties.

4. On November 1, 2004, pursuant to section 1102(a) of the Bankruptcy Code, the United States Trustee for the Southern District of Indiana appointed the Committee.

5. On November 4, 2004, the Committee selected Compass as its investment banker and financial advisor, which employment was approved by an order of this Court dated February 8, 2005 (as amended to include certain attachments on February 11, 2005, the “Retention Order”). The Retention Order authorized Compass to be compensated in accordance with the terms of an engagement letter between Compass and the Committee dated as of November 4, 2004 (the “Retention Letter”), and to be reimbursed for actual and necessary out-of-pocket expenses incurred by Compass in connection with the professional services provided.

6. The Retention Letter, as approved by the Retention Order, provided that Compass would receive a financial advisory fee of \$125,000 for the period November 4, 2004 through November 30, 2004, financial advisory fees of \$125,000 per full or partial calendar month beginning on December 1, 2004, pro-rated fees for the last month during which Compass

¹ As Chicago Express has sold substantially all of its assets, including its name, its corporate legal name has been changed to C8 Airlines, Inc.

provided services to the Committee, and certain Incentive Fees (as defined in the Retention Letter), all subject to interim and final application to, and approval by, this Court.²

7. On May 4, 2006, Compass filed the Compass Final Fee Application. By the Compass Final Fee Application, Compass is seeking payment of \$3 million in fees and reimbursement of \$120,034.72 for out-of-pocket expenses. The \$3 million fee request is comprised of \$2 million of monthly financial advisory fees (of which \$400,000 has been held back during the period covered by the Compass Final Fee Application (the “Application Period”)), plus an additional fee of \$1 million (the “Additional Services Fee”) for certain additional services rendered by Compass on behalf of the Committee during the Application Period.

COMMITTEE STATEMENT

8. The Committee strongly supports Compass’ request for compensation as reflected in the Compass Final Fee Application. The Committee maintains that the fees requested by Compass in the Compass Final Fee Application are reasonable and necessary in light of the extensive services performed by Compass on behalf of the Committee. The Committee also supports the payment of the Additional Services Fee as Compass’ services went beyond those services specifically authorized in the Retention Letter and Compass deserves to be compensated for such services.

² Pursuant to the Retention Letter, Compass is also entitled to an Incentive Fee of approximately \$320,000 based on the Aggregate Consideration distributed to unsecured creditors comprising: (i) distributed common equity and warrants; (ii) convenience class recoveries; and (iii) the value of the right to subscribe for new shares of Reorganized ATA. However, according to the Retention Letter, an Incentive Fee is earned only to the extent that it is greater than 50% of the monthly advisory fees paid or payable to Compass beginning July 2005. As the Incentive Fee recoverable was not greater than 50% of the monthly advisory fees paid or payable to Compass beginning July 2005, under the terms of the Retention Letter, Compass did not earn the Incentive Fee.

9. While the Committee acknowledges that the Retention Letter did contemplate the provision of additional investment banking and financial advisory services to the Committee as needed and requested by the Committee, subject to further approval of the Court, which request Compass has not previously made, Compass was called upon by the Committee to provide expanded services under circumstances that caused Compass to be reticent to seek expanded authority and request additional compensation from this Court. Compass now seeks the Additional Services Fee in order to reflect the additional services rendered by Compass on behalf of the Committee that were of benefit not only to unsecured creditors, but to the Debtors' estates.

10. As discussed in detail in the Compass Final Fee Application, Compass was called upon by the Committee to, among other things: (a) negotiate a substantial part of the economic terms of the Southwest Transactions³ with Southwest and to use the auction process to leverage the negotiating position of the Committee and the Debtors to the benefit of the Debtors' estates and unsecured creditors (which transactions were valued at more than \$100 million);⁴ (b) play an instrumental role in the recruiting of the Debtors' new Chief Executive Officer, Mr. John Denison; (c) spend a significant amount of time with the Debtors' management assisting them to develop some of the cost saving initiatives and operational improvements that the Debtors later adopted, including outsourcing maintenance and a sale and leaseback of rotables and spare parts inventory; (d) assist the Debtors in seeking to obtain new financing for aircraft and new aircraft; (e) even prior to the Debtors' retention of its own investment banking firm, initiate multiple discussions with unsecured creditors and third-party financing sources with respect to raising

³ Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Compass Final Fee Application.

⁴ The rendering of such merger and acquisition services is an additional service pursuant to paragraph 5 of the Retention Letter.

financing in connection with a plan of reorganization; and (f) negotiate for unsecured creditors to participate in plan financing, which resulted in \$25 million being raised from unsecured creditors⁵ through a rights offering (collectively, the “Additional Services”). Such Additional Services provided by Compass on behalf of the Committee were extremely valuable and Compass’ additional work was a significant factor in allowing unsecured creditors and, indeed, the Debtors themselves, to realize an increased return.

11. However, during the Application Period, when it was highly uncertain whether the Debtors could formulate a business plan around which a new financing could materialize, and it was uncertain as to whether there would be any recovery to unsecured creditors, Compass undertook the performance of the Additional Services not covered by (or specifically authorized) by the Retention Letter for the Committee’s benefit. Compass believed that these services were essential to unsecured creditors’ recovery and that it was imprudent, at that time, to seek an amended retention order providing for additional compensation for the services it was performing. Accordingly, it has admirably waited to file such a request until the end of the case – even at the risk of having the payment of such services denied.

12. Accordingly, and as explained in detail in the Compass Final Fee Application, Compass deserves to be compensated for the Additional Services performed and should not be penalized for “taking the high road” by not having sought compensation for and approval of the services that it has provided during a period when unsecured creditor recoveries were uncertain but when the Committee that represents the interests of unsecured creditors most needed Compass’ expert assistance.

⁵ At a 5% fee, such as that which is being paid to Jefferies & Company, Inc., SkyWorks Capital, LLC and SkyWorks Securities, LLC (collectively, “Jefferies”), one of the Debtors’ financial advisory and investment banking firms, Compass would have earned a fee of \$1.25 million for such services alone.

13. Moreover, the payment of the Additional Services Fee is not only supported by the facts and circumstances surrounding the Debtors' chapter 11 cases and the specific services rendered by Compass as outlined in detail in the Compass Final Fee Application, but by a comparison of the fees and expenses sought by Compass for the Application Period against those of other financial advisors and professionals.

14. Considering that the total number of hours expended by Compass professionals in performing services for the Committee was 7,827.2 hours, Compass' implied blended hourly rate was \$256, excluding any amount for the Additional Services Fee. Compass' implied blended hourly rate only becomes \$383 when the Additional Services Fee is included in the calculation. Notwithstanding, this blended rate is still among the lowest average hourly rates among all of the professionals rendering significant services in the Debtors' chapter 11 cases.

15. Furthermore, a look at the fees and expenses sought by Jefferies, Huron and Mercer, three of the Debtors' financial advisory and investment banking firms, shows that they have sought the payment of fees and expenses that far exceed those being sought by Compass – even with the inclusion of the Additional Services Fee. Indeed, Jefferies has sought payment of \$5.3 million in fees (and \$330,347.60 in expenses), Huron has sought payment of \$4,541,937.21 in fees (and \$341,667.14 in expenses) and Mercer has sought payment of \$3,329,031 in fees (and \$336,880.74 in expenses) as compared with Compass' request for \$3 million in fees (and \$120,034.72 in expenses), inclusive of the Additional Services Fee.⁶ As is obvious, these numbers pale in comparison to the approximately \$13.1 million in fees being sought by Jefferies, Huron and Mercer.

⁶ As mentioned in footnote 3 above, the Debtors also utilized the financial advisory services of Navigant. Navigant sought an additional \$1,225,993.00 in fees and \$110,169.49 in its final fee application.

CONCLUSION

16. For all of the reasons described above, Compass' request for compensation for the services that it has rendered is not only fair and equitable in light of the amount and types of services that it has rendered, but a request for payment of the Additional Services Fee would only begin to level the playing field. Accordingly, the Committee respectfully requests that the Court grant the payment request sought by Compass in the Compass Final Fee Application, including payment of the Additional Services Fee.

Dated: May 30, 2006

Respectfully submitted,

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