

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.)

**AFFIDAVIT OF SEAN G. FRICK IN SUPPORT
OF CONFIRMATION OF THE SECOND AMENDED
PLAN OF LIQUIDATION OF C8 AIRLINES, INC.
F/K/A CHICAGO EXPRESS AIRLINES, INC.**

I, Sean G. Frick, affirm under penalties of perjury the following:

1. I am Vice President of Corporate Finance for New ATA Holdings Inc. (“Holdings”), the parent of ATA Airlines, Inc. (“ATA”), one of the Reorganized Companies that has emerged from chapter 11 protection. I submit this affidavit in support of the Second Amended Plan Of Liquidation Of C8 Airlines, Inc. f/k/a Chicago Express Airlines, Inc. (the “Plan”). Capitalized terms not otherwise defined herein have the meanings given to them in the Plan. The statements in this affidavit are, except where specifically noted, based on personal knowledge and I am competent to testify thereto.

2. I began my employment with ATA Holdings Corp. (“Old Holdings”) the parent company of C8 Airlines, Inc. (“C8”) in 1997 in the Strategic Planning Department. Strategic Planning is responsible for all financial planning and analysis for the ATA related companies, including forecasting and cash planning. I became Vice President of Strategic

¹ The Debtors are the following entities: ATA Holdings Corp. (04-19866), ATA Airlines, Inc. (04-19868), Ambassador 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 C8 Airlines, Inc. f/k/a Chicago Express Airlines, Inc. (04-19874).

Planning in 2004 and a Co-Chief Restructuring Officer on January 10, 2005. In these positions, I have actively participated in preparing and analyzing ATA's business plans. I am familiar with the history of Holdings' acquisition of C8 Airlines, Inc. f/k/a Chicago Express Airlines, Inc. ("C8"), the disposition by C8 of its assets in its chapter 11 case, and the nature of the pre-petition and post-petition accounts receivables, payables as between ATA and C8. I am generally familiar with the books and records and business affairs of C8 both before and after the filing of its petition under chapter 11.

C8's History and Business

3. Holdings acquired the stock of C8 in May of 1999 through a merger and acquisition transaction funded by an exchange of Holding's stock and cash, totaling approximately \$2.3 million.

4. At the time of the acquisition, C8 had approximately \$1.5 million less in book assets than the purchase price paid by Holdings.

5. ATA assumed approximately \$2.1 million of C8 liabilities as part of the acquisition and funded payment of those liabilities. As reflected in the schedules of assets and liabilities filed by C8 with this Court ("Schedules"), as of the petition date on which these Chapter 11 Cases were commenced, C8 had no "fixed" indebtedness other than its debts for goods, services, and taxes and C8's obligations to ATA. As of the petition date, C8 listed in its Schedules sizeable "contingent" liabilities as a guarantor of bonds issued by Holdings and ATA and other debts of ATA and/or Holdings for their borrowings.

6. In the year prior to the acquisition, C8's tax returns reported negative retained earnings of \$2.7 million on a net loss of approximately \$250,000.

7. After the acquisition, C8 functioned as a captive "commuter" airline for ATA customers. Historically, C8 flew relatively short routes carrying ATA's customers to and

from Chicago's Midway Airport to and from Midwest locations such as Madison and Milwaukee, Wisconsin, Springfield, Illinois, Grand Rapids, Michigan, South Bend and Indianapolis.

8. C8 owned no aircraft or real property. C8 subleased from ATA the aircraft C8 flew. C8 sold none of its own tickets and established none of its own routes. Other than incidental revenues that may have been earned by C8, ATA funded all of C8's bills through periodic wire transfers.

9. Virtually all revenue attributed to C8 on the Debtors' consolidated balance sheet, is a construct of the Holding's management and reflects a book transfer to C8 from ATA of actual revenue received from tickets sold by ATA for C8 flights based on Holding's management's estimate of the cost to operate C8's flights, plus a built-in profit margin. In April of 2002, a "Chicago Express Evaluation Team" consisting of employees of Holdings working in Holdings' Strategic Planning Section established a basis for ATA to "pay" C8 on the books for the consolidated companies on a "per departure basis with individual rates to each [destination] city, based on [C8's] cost to operate to that city." As new C8 routes were added, rates were created for those new routes. At that time, the per destination rates were established to cause C8 to be able to report as a "profitable company." As of the petition date, Holdings had not revisited the somewhat arbitrarily established "pay" rates since April of 2002.

10. The receivable reflected on C8's Schedule of Assets and Liabilities reflects the difference between the revenue booked pursuant to the revenue "construct" described in paragraph 9 above and the cash transferred from ATA to C8 to fund the actual expenses of C8.

11. In the ordinary course of their relationship, post-petition ATA advanced to or for the benefit of C8 in excess of \$6,000,000 net of post-petition payables from ATA to C8

that accrued post-petition. ATA thus holds an administrative expense claim against C8 for more than \$6 million as reflected in the Plan.

Commencement and Prosecution of the Chapter 11 Case

12. On October 26, 2004, C8 filed a voluntary petition for relief under chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Indiana (the "Chapter 11 Case").

13. C8 actively involved the Official Committee of Unsecured Creditors (the "Committee") in the Plan formulation process. Prior to and following the commencement of the Chapter 11 Case, C8 and the Reorganizing Debtors engaged in a comprehensive review of their businesses and as part of that review, it was determined that it would be in the best interests of creditors of the estates to sell the business and/or assets of C8. The Committee worked with C8 in this regard, and the Plan reflects the end product of arms' length negotiations and reflects the input not only of the Committee, but also of the ATSB Lenders, and other parties in interest.

Liquidation Plan

14. After a careful analysis of C8's business operations, and with the involvement of the Committee, the assets of C8 were sold pursuant to a Bankruptcy Court authorized sale process and the final sale to CSC Investment Group, Inc. was approved by order of the Bankruptcy Court. The resulting sale proceeds will allow the estate of C8 to pay its valid administrative expenses to its trade creditors and professionals and priority tax claims, however the proceeds are not sufficient to satisfy the ATA Admin Claim in full and recoveries from preference actions and other causes of action would appear to also be insufficient to satisfy the ATA Admin Claim thus leaving no recovery for unsecured claims. However, in consultation with the Committee, the Plan provides for a contingent recovery to priority and general unsecured claims from successful prosecutions of the avoidance actions.

**The Plan Is The Result Of Arm's Length Negotiations
And Has Been Proposed In Good Faith**

15. As described above, during the course of these Chapter 11 Case, C8, along with its professional advisors, analyzed various operating and non-operating alternatives available to them. After careful review of its business operations and prospects, estimated recoveries in various sale, transaction and liquidation scenarios, and viability as ongoing businesses, C8, in conjunction with its advisors, concluded that reorganization of the business was not viable and that recovery to stakeholders would be maximized by the sale of the business and/or assets and the liquidation of all property of the estate.

16. I believe that the Plan has been proposed by C8 in good faith. As described in the Disclosure Statement and in the Plan, without the mechanism described to provide recoveries to unsecured creditors from the avoidance actions, the estate would be unable to fund any recovery to prepetition unsecured creditors. Accordingly, the Plan will result in recoveries by creditors that are greater than could be realized if C8 were liquidated under chapter 7 of the Bankruptcy Code.

17. I also believe that the Plan has been structured to accomplish legitimate purposes and the support of the Committee further reflects the overall fairness of the Plan and that the Plan has been proposed for proper purposes.

Retention And Enforcement Of Causes Of Action

18. Article 5.3 of the Plan provides that C8 shall retain and may (but are not required to) enforce all Retained Actions and other similar claims arising under applicable state laws, including, without limitation, fraudulent transfer and preference claims, if any, and all other Causes of Action of a trustee and debtor-in possession under the Bankruptcy Code. C8 will, in consultation with the Creditors' Liquidation Committee as provided in the Plan,

determine whether to bring, settle, release, compromise, or enforce any such rights, claims or Causes of Action (or decline to do any of the foregoing). I believe that the Plan's retention of the Causes of Action is appropriate and that the Plan provides for the proper mechanism allowing the enforcement and/or settlement of Claims.

Post Confirmation Administration

19. C8 will continue to exist solely for the purpose of winding up its businesses and administering its estate and distributing its assets to valid claims pursuant to the Plan. The costs of such administration are fairly provided for in the plan and I believe that the Plan contains the appropriate provisions to allow the estate to be fairly and finally administered.

The Exculpation and Releases Are Fair

20. I believe that the exculpation and releases set forth in the Plan are (i) fair equitable and reasonable, (ii) integral elements of the resolution of the Chapter 11 Case in accordance with the Plan, and (iii) supported by reasonable consideration. Each of the Released Parties provided important consents, agreements, assistance, financing, accommodations or services to or for the benefit of C8 that were of sufficient significance to justify the releases, exculpations, and limitations of liability, and indemnifications provided for in Article 10.3 of the Plan.

Payment of Statutory Fees

21. C8 has paid or will pay all fees payable to 28 U.S.C. § 1930 on or before the Effective Date and as and when due thereafter.

