

Exhibit 1

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (this "Agreement") is made this 4th day of May, 2007, by and between ATA Airlines, Inc. ("Reorganized ATA"), on one hand, and The City of Los Angeles, (the "City," and together with Reorganized ATA, the "Parties," or each a "Party") on the other hand.

RECITALS

General Background

1. On October 26, 2004 (the "Petition Date"), each of ATA Airlines, Inc. ("ATA") and certain of ATA's affiliates (collectively, the "Debtors") filed with the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division (the "Bankruptcy Court"), its respective voluntary petition for relief under Title 11 of the United States Code, 11 U.S.C. § § 101 *et seq.* as amended (the "Bankruptcy Code"). The "Debtors" other than ATA were the following entities: ATA Holdings Corp., Ambassador Travel Club, Inc., ATA Leisure Corp., Amber Travel, Inc., American Trans Air Execujet, Inc., ATA Cargo, Inc., and C8 Airlines, Inc. f/k/a Chicago Express Airlines, Inc.

2. The Debtors (including ATA) filed an Amended Joint Plan of Reorganization (as immaterially modified, the "Plan"), which was confirmed by an order (the "Confirmation Order") entered by the Bankruptcy Court on January 31, 2006 (the "Confirmation Date"). The Plan became effective on February 28, 2006. Reorganized ATA is the successor entity to ATA subject and pursuant to the Plan.

3. The City is the owner and operator of certain facilities and real property comprising what is known as the Los Angeles International Airport ("LAX").

4. Prior to the Petition Date, the City and ATA had been a party to several leases and agreements covering facilities and operations at LAX, that may have included but are not limited to, the following:

a. That certain Non-Exclusive Operating Permit Between The City Of Los Angeles And American Trans Air d/b/a American Trans Air Covering The Use Of Landing Facilities, City contract number LAA-8018, with a term commencing July 1, 2002 and ending June 30, 2007 (the "ACOP");

b. That certain lease covering space in Terminal 3, City contract number NBL-2441 ("Terminal 3 Lease");

c. That certain lease for air cargo operations, City contract number NBL-2339 (the "Cargo Lease"); and

d. That certain lease and/or contract for terminal use fees ("Terminal U Lease") (the ACOP, Terminal 3 Lease, Cargo Lease and Terminal U Lease are collectively referred to as the "Contracts").

5. In connection with the Plan, ATA designated certain executory contracts and unexpired leases which were to be assumed by Reorganized ATA, and with respect to each such contract or lease ATA asserted what ATA alleges it believed was the cure amount (the "Cure Amount") required to be paid under 11 U.S.C. § 365(b) to cure all prior defaults and bring current as of the Confirmation Date each executory contract or unexpired lease designated for assumption. Under the terms of the Plan, executory contracts and unexpired leases not expressly assumed were rejected. ATA designated the ACOP as an executory contract to be assumed, with an asserted Cure Amount of \$0. None of the other Contracts were designated in the Plan for assumption and all of the other Contracts were thereafter rejected.

6. In connection with the Plan, certain procedures were approved by the Bankruptcy Court for the determination of Cure Amounts. The City did not object to or otherwise dispute ATA's asserted Cure Amount for the ACOP prior to the Confirmation Date.

7. ATA's liabilities prior to the Confirmation Date, and the liabilities of Reorganized ATA after the Confirmation Date, under the ACOP are secured by letter of credit SCL008692 issued by National City Bank of Indiana (the "Letter of Credit") in favor of "Los Angeles World Airports," as beneficiary. The current amount of the Letter of Credit is \$228,000. In relevant part, the Letter of Credit provides for the availability of funds by draft at sight accompanied by a statement of the beneficiary, signed by the executive director of the Department of Airports or an authorized representative, stating "American Trans Air, Inc. is in default under the operating agreement dated 07/02/02 between the City of Los Angeles and American Trans Air, Inc."

The Dispute

8. By letter dated January 16, 2007, to National City Bank of Indiana, the City and the Department of Airports by and through the Los Angeles City Attorney's Office, presented a sight draft to National City Bank to draw the sum of \$228,000, representing the entire amount of the Letter of Credit. The January 16, 2007 letter was accompanied by a statement that "American Trans Air, Inc. is in default under the operating agreement dated 07/02/02 between the City of Los Angeles and American Trans Air, Inc."

9. On January 24, 2007 after 10:00 a.m. EST, National City Bank advised Reorganized ATA that it had received the draw request. On January 25, 2007, Reorganized ATA filed its Emergency Ex Parte Motion For Temporary Restraining Order And Order To Show Cause (LAWA) (the "Ex Parte Motion"). After a hearing held on January 25, 2007, the Bankruptcy Court on January 26, 2007 entered its Temporary Restraining Order, enjoining the attempt by the City to draw against the Letter of Credit, and setting the matter for a preliminary injunction hearing on February 8, 2007.

10. Following the hearing on February 8, 2007 and based upon the consent of the City, the Bankruptcy Court extended the Temporary Restraining Order and continued the preliminary injunction hearing to February 16, 2007. On February 13, 2007, the City filed its Points And Authorities Re Necessity For Adversary Proceeding For Imposition Of Injunctive Relief (the "Points and Authorities"). Following a hearing on the Points and Authorities, and a response thereto filed by Reorganized ATA, on February 20, 2007, Reorganized ATA filed its

Verified Complaint To Enforce Court's Confirmation Order: Request For Temporary Restraining Order, Preliminary And Permanent Injunction, And Order To Show Cause Why The City Of Los Angeles Should Not Be Held In Contempt (the "Adversary Proceeding").

11. By way of the Ex Parte Motion, and later the Adversary Proceeding, Reorganized ATA requested that the Bankruptcy Court enjoin and prohibit the City from any collection effort of any kind related to fees of any kind under the ACOP resulting from activities by the Debtors during any period of time prior to the Confirmation Date, and that the Bankruptcy Court grant other relief.

12. On March 26, 2007, the City filed its Answer And Counterclaim For Breach Of Contract And Unjust Enrichment (the "Answer and Counterclaim"). By way of the Answer and Counterclaim, the City denied that its efforts to draw under the Letter of Credit should or could be enjoined and sought affirmative relief against Reorganized ATA for the recovery of a principal sum of \$644,787.82 which the City alleged to be due and owing under the Contracts. Of that amount, the City alleges that the sum of \$263,918.01 is due and payable under the ACOP, and the balance of \$380,869.81, is due and payable under the Terminal 3 Lease, the Cargo Lease, and the Terminal U Lease (these three leases collectively referred to as the "Holdover Leases").

13. In connection with the preparation of the Ex Parte Motion, the Adversary Proceeding, responding to discovery requests propounded by the City, and evaluating defenses and responses to the Answer and Counterclaim, Reorganized ATA discovered and determined that the Debtors, after the Petition Date and prior to the Confirmation Date, paid to the City an amount not less \$353,505.66 (the "Disputed Transfers") on account of the City's prepetition claims against the Debtors arising under the Holdover Leases. Reorganized ATA advised and informed the City of its intention to amend the Adversary Proceeding to assert a claim to avoid the Disputed Transfers under 11 U.S.C. § 549 and to recover from the City the amount or value of the Disputed Transfers under 11 U.S.C. § 550.

14. From and after the initial entry of the Bankruptcy Court of the Temporary Restraining Order, to the effective date of this Settlement Agreement, Reorganized ATA and the City have consented to multiple extensions of the Temporary Restraining Order, multiple continuances of the preliminary injunction hearing, extensions of time for Reorganized ATA to reply to the Answer and Counterclaim, and a tolling agreement by which any motion by the Reorganized ATA to amend the Adversary Proceeding would be deemed to have been filed on April 13, 2007. During this same period of time, counsel for Reorganized ATA and the City have communicated and conferred in good faith concerning the disposition of multiple claims which have or could have been asserted in the Ex Parte Motion, the Adversary Proceeding, or the Answer and Counterclaim and more generally described in the Recitals above, and desire to avoid the cost and uncertainty of litigation under the terms of this Agreement.

THE AGREEMENT

NOW, THEREFORE, in consideration of the mutual releases set forth herein, the allowance and payment of a Cure Amount to the City related to the ACOP as set forth herein, the allowance of general unsecured claims arising under the Holdover Leases in favor of the City

against the Debtors to be treated in all respects consistent with the treatment of general unsecured claims under the Plan, and other good and valuable consideration for the various covenants and understandings set forth in this Agreement, the receipt and adequacy of which is hereby acknowledge, the Parties agree as follows:

1. Recitals. The Recitals above are incorporated herein and made a part of this Agreement by this reference.

2. Satisfaction of the ACOP Pre-Confirmation Claim.

a. Reorganized ATA shall pay to the City the sum of \$228,000 ("Settlement Payment") in full satisfaction of any and all amounts owing, or alleged by the City to be owed, as a Cure Amount under the ACOP, relating to any default, claim or charge arising or related to any period prior to the Confirmation Date. This payment shall constitute full and complete cure of any such existing or prior defaults in connection with the assumption by Reorganized ATA of the ACOP under the Plan. Except as otherwise expressly provided herein, the performance, payment and other obligations of Reorganized ATA arising after the Confirmation Date under the ACOP are otherwise expressly preserved.

b. ATA shall make the Settlement Payment to the City in good funds on the later of:

i. Five business days after the Effective Date, as defined below; and

ii. Five business days after receipt of a Resolution of the Board of Airport Commissioners approving this Agreement (the "Resolution").

c. ATA shall file such motion as may be required to be filed, to seek Bankruptcy Court approval to satisfy paragraph 2.b.i. above, by no later than five (5) business day after execution and exchange of signature pages of this Agreement.

d. The City will use its best efforts to timely obtain the Resolution.

e. In the event a final order and the Resolution are not both obtained within forty five days of the date first hereinabove written, this Agreement shall be of no force and effect unless the Parties agree in writing to extend this deadline.

3. Disposition Of Claims Arising Under The Hold Over Leases. The unpaid balance of claims of the City arising under the Hold Over Leases or any other agreement or understanding between the City and ATA, other than the ACOP, that have not been previously satisfied or paid, will be treated as an allowed general unsecured claim against ATA in the amount of \$370,011.21 and satisfied consistent with the treatment of general unsecured claims

under the Plan and the City shall not be required to take any further action under the Plan, or otherwise, to receive any distribution as may be forthcoming as a general unsecured creditor holding an allowed claim. Except as expressly provided in this Agreement, the rights of the Parties under the rejected Holdover Leases are otherwise not affected by this Agreement.

4. Enforceability Of Letter Of Credit. The Letter of Credit shall remain in force and effect pursuant to its existing terms for any breach thereof with respect to the payment and performance by Reorganized ATA of each and every obligation for and under the ACOP. To avoid misunderstanding and to clarify any ambiguity, the parties acknowledge and the City covenants and agrees that no draw may be made by the City against the Letter of Credit for any charges or fees arising and accruing under Section 5.a. of the ACOP prior to the Confirmation Date. The City shall not be permitted to draw against the Letter of Credit, under any "cross-default" provision in the ACOP or otherwise, by reason of a pre-Confirmation Date default under the Holdover Leases or any other agreement or understanding (other than the ACOP) between ATA or any of the other Debtors and the City. The City's right to performance from ATA under the ACOP in all other respects is preserved. In consideration of the foregoing, in the event any audit or review reveals that payments previously made by ATA for the period prior to the Confirmation Date were greater than the amount actually due for such period, then in such event, ATA shall not be entitled to any credit therefore and ATA hereby waives and releases any claim thereto.

5. Good Faith Negotiations Regarding New Operating Permit. The Parties will in good faith negotiate a new operating permit for the period July 1, 2007 through June 30, 2012. The draft operating permit recently tendered by the City to Reorganized ATA shall continue to be the base document for the good faith negotiations, and the City (and all required approval agencies) will in good faith consider for approval the form of operating agreement that results from such negotiations. The approval process will be free of any taint or prejudice based upon the acts, occurrences, allegations, disputes in connection with the Ex Parte Motion, the Adversary Proceeding, and the Answer and Counterclaim or the resolution thereof under the terms of this Agreement.

6. Dismissal of Adversary Proceeding. Reorganized ATA shall withdraw the Ex Parte Motion and dismiss the Adversary Proceeding, and the City shall dismiss the Answer and Counterclaim, each with prejudice and with each Party to bear its own costs, within three (3) business days of the Effective Date.

7. Mutual Releases. Except for such obligations, rights or claims as may be created by, preserved, or arise out of the terms and conditions of this Agreement, upon the satisfaction of the conditions set forth in section 8 of the Agreement, Reorganized ATA, on the one hand, and the City, on the other hand, hereby mutually release, discharge and acquit each other, as well as, to the extent applicable, their respective officers, directors, professionals, employees, agents, heirs, beneficiaries, administrators, representatives, executors, parents, subsidiaries, affiliates and their successors and assigns (the "Released Parties"), from any and all claims, demands, costs, liabilities, objections, actions, and causes of action of any nature, whether in law or in equity, whether known or unknown, whether suspected or unsuspected, that the Parties ever had, now have, or may claim to have against each other of any type, nature or description, that in any way arise out of, or are related to, or are connected with Debtors'

bankruptcy cases that have been or could have been asserted by the Parties including without limitation, by the Debtors or Reorganized ATA, any of the Debtors' claims with respect to the Disputed Transfers or otherwise assertable under chapter 5 of the Bankruptcy Code.

8. Effectiveness of Agreement. If the deadline set forth in section 2.e. is met, this Agreement shall become effective upon the entry of a final order of the Bankruptcy Court approving this Agreement (the "Effective Date").

9. Understanding and Counsel. The Parties represent and warrant that (a) they have read and understand the terms of this Agreement, (b) they have been represented by counsel with respect to this Agreement, and all matters covered by and relating to it, and (c) they have entered into this Agreement for reasons of their own and not based upon representations of any other Party.

10. Legal Fees and Costs. Each of the Parties shall pay its own respective costs and attorneys' fees.

11. Headings. All headings and captions in this Agreement are for convenience only and shall not be interpreted to enlarge or restrict the provisions of the Agreement.

12. Jurisdiction. By this Agreement, each of the Parties submits to the jurisdiction of the Bankruptcy Court for any action to enforce or interpret this Agreement. The Parties agree that this Court has and shall have no jurisdiction over the Parties actions under the ACOP or otherwise relative to ATA flight and airfield operations at any airport operated by the City.

13. Representation and Warranties. The undersigned represent and warrant that they are duly authorized to execute this Agreement on behalf of the Parties hereto. The City has advised that its authority to enter into this agreement is subject to the approval of the Board of Airport Commissioners for the Department of Airports for the City of Los Angeles (the "Board") and represents that approval by the Board shall be obtained prior to the commencement of a hearing before the Bankruptcy Court to approve this Agreement. The Parties agree and represent that they have not assigned or conveyed any of the claims or rights referenced in this Agreement in any manner to any other Person and that each holds the rights and claims which are retained, or released in this Agreement. The Parties agree that they have and will not assign or convey any of the claims or rights referenced in this Agreement in any manner to any other Person except as provided in this Agreement.

14. Entire Agreement. This Agreement constitutes the entire agreement between and among the Parties concerning the subject matter hereof, and there are no other understandings, representations, or agreements, oral or otherwise, between and among the Parties concerning the subject matter of this Agreement.

15. Amendments; Modifications; Waiver. This Agreement may not be modified, superseded, terminated, or amended and no provision hereto may be waived except by (i) a writing making specific reference hereto signed by the Parties and approved by the Bankruptcy Court or (ii) a final Order of the Bankruptcy Court.

16. Binding Effect. The terms and acknowledgements set forth in this Agreement shall be binding upon the Parties and shall inure to the benefit of the Parties, and their respective successors, assigns, heirs, executors, administrators, and representatives.

17. Participation in Drafting. Each Party has participated in, or contributed to, the drafting and preparation of this Agreement. In any construction of this Agreement, the provisions shall not be construed for or against any Party, but shall be construed according to their plain meaning.

18. Further Necessary Actions. To the extent that any document is required to be executed by any Party to effectuate the purposes of this Agreement, the Party will execute and deliver such document or document to the requesting Party.

19. Action to Enforce. Should any action be brought by one of the Parties to enforce any provision of this Agreement, the non-prevailing party to such action shall reimburse the prevailing party for all reasonable attorneys' fees and court costs and other expenses incurred by the prevailing party in the action to enforce.

20. Counterparts. This Agreement (and any amendments, modifications or waivers in respect hereof) may be executed by facsimile in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

21. Construction: As used herein, the plural shall include the singular, and the singular shall include the plural, unless the context or intent indicates to the contrary. "Person" shall include natural persons, corporations, partnerships, and/or any other entity which by law is treated as or has the rights of a natural person and, where applicable, its past, present and future officers, directors, employees, agents, administrators, beneficiaries, heirs, executors, representatives, administrators, parents, subsidiaries, affiliates and their successors and assigns.

22. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the day and year set forth above.

ATA AIRLINES, INC.

By: _____

Its: _____

THE CITY OF LOS ANGELES
Department of Airports
Los Angeles World Airports

By: _____

Its: Executive Director