

**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.)	

MOTION TO APPROVE SETTLEMENT AGREEMENT WITH CITY OF CHICAGO

ATA Airlines, Inc. ("ATA") respectfully submits this Motion To Approve Settlement Agreement With City Of Chicago (the "Motion"). In support thereof, ATA respectfully states the following:

Background

1. On October 26, 2004 (the "Petition Date"), each of the Debtors filed with the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division (this "Court" or the "Bankruptcy Court"), its respective voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. as amended (the "Bankruptcy Code") commencing these Chapter 11 Cases. This Court entered the Confirmation Order confirming the Amended Joint Plan Of Reorganization for the Reorganizing Debtors (as immaterially modified) (the "Plan") on January 31, 2006 (the "Confirmation Date") (Docket No. 3657). The Plan became effective on February 28, 2006.

2. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

¹ The Debtors are the following entities: ATA Holdings Corp. (04-19866), ATA Airlines, Inc. (04-19868), Ambassadair 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).

3. Venue of these Chapter 11 Cases and the Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

4. The statutory basis for the relief requested herein is Section 105 of the Bankruptcy Code and Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

The Settlement Agreement

5. As set forth in more detail in the Settlement Agreement, attached as Exhibit 1 to this Motion, prior to the Petition Date, ATA and the City of Chicago (the "City") had been parties to certain contracts and leases.

6. A dispute arose between ATA and the City related to the operations of ATA at Chicago Midway International Airport, resulting in the filing of ATA Airlines, Inc.'s Objection To The Claim Of The City Of Chicago (the "Objection") (docket #4282) on July 26, 2006.

7. Following initial discovery, ATA and the City entered into settlement discussions to resolve the disputes between them. During those discussions, ATA and the City consented to multiple continuances of the preliminary hearing on the Objection.

8. ATA and the City have communicated and conferred in good faith concerning the disputes between them asserted in or related to the Objection, all as set forth in the Settlement Agreement, and desire to avoid the cost and uncertainty of litigation under the terms of the Settlement Agreement.

Request for Relief

9. Subject to this Court's approval, ATA and the City have agreed to compromise and settle the claims and counterclaims between them regarding the Objection.

10. As set forth in more detail in the Settlement Agreement, ATA and the City agree as set forth in the Settlement Agreement that (among other things) (i) ATA withdraws its Objection and requests that the Claim be allowed as a general unsecured claim in the amount of \$26,101,751.00, and (ii) ATA and the City agree that the Settlement Agreement fully and finally resolves all issues between them arising prior to the Effective Date.

Basis for Relief

11. Bankruptcy Rule 9019 provides that the Court, after notice and a hearing, may approve a compromise or settlement. See Fed. R. Bankr. P. 9019(a). Under § 363(b) and Bankruptcy Rule 9019, a bankruptcy court should approve a proposed compromise if it is fair and equitable and in the best interest of the estate. See, Depoister v. Mary M. Holloway Found., 36 F.3d 582, 586 (7th Cir. 1994); In re Energy Coop., Inc., 886 F.2d 921, 927 (7th Cir. 1989) ("[t]he benchmark for determining the propriety of a bankruptcy settlement is whether the settlement is in the best interest of the estate."). The Seventh Circuit has offered the following guidance to courts in making such determinations:

Central to the bankruptcy judge's determination is a comparison of the settlement's terms with the litigation's probable costs and probable benefits. Among the factors the bankruptcy judge should consider in his analysis are the litigation's probability of success, the litigation's complexity, and the litigation's attendant expense, inconvenience, and delay.

LaSalle Nat'l Bank v. Holland (In re American Reserve Corp.), 841 F.2d 159, 161 (7th Cir. 1987) (citations omitted).

12. ATA believes that the proposed settlement is in the best interest of the bankruptcy estate, as it avoids the costs and uncertainties of further litigation.

WHEREFORE, ATA, by counsel, with the consent of the City, pursuant to Bankruptcy Rule 9019, respectfully requests that the Court approve this Motion and the Settlement Agreement as attached and determine its order effective as of September 4, 2007, the date on which the parties reported to the Court the matter settled and the Court noted same on its Minute Entry/Order [docket #4784], including the allowance of the Claim as a general unsecured claim in the amount of \$26,101,751.00.

Respectfully submitted,

BAKER & DANIELS LLP

By: /s/Terry E. Hall

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served via (i) electronic mail transmission through the Bankruptcy Court's CM/ECF system, (ii) separate electronic mail transmission, or (iii) first class United States mail, postage prepaid, upon the Core Group, 2002 List (post-confirmation), Appearance List (post-confirmation), and the City of Chicago on the 19th day of September, 2008.

/s/Terry E. Hall