

**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.)	
)	

**LIMITED OBJECTION AND RESERVATION OF RIGHTS OF THE
OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO THE DEBTORS'
MOTION FOR ORDER PURSUANT TO 11 U.S.C. §§ 105(a),
363, 365 AND 1146(c) AND FED. R. BANKR. P. 2002, 6004 AND 6006
APPROVING THE AIRTRAN TRANSACTION OR, IF
APPLICABLE, ONE OR MORE ALTERNATIVE TRANSACTIONS**

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 limited objection and reservation of rights to the Debtors’ Motion for Order Pursuant to 11 U.S.C. §§ 105(a), 363, 365 and 1146(c) and Fed. R. Bankr. P. 2002, 6004 and 6006 Approving the AirTran Transaction or, if Applicable, One or More Alternative Transactions (the “Limited Objection”). In support of its Limited Objection, the Committee respectfully states as follows:

I. 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 have been consolidated for procedural purposes only and are being 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 are authorized to operate their businesses and manage their properties as debtors in possession. No trustee or examiner has been appointed in these chapter 11 cases.

3. 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.

4. On November 2, 2004, the Debtors filed an Emergency Motion to Establish (A) Procedures for Approval of Transaction, (B) a Break-up Fee, and (C) Forms of Notice (the “Bidding Procedures Motion”), together with a Motion for Order Pursuant to 11 U.S.C. §§ 105(a), 363, 365 and 1146(c) and Fed. R. Bankr. P. 2002, 6004 and 6006 Approving the AirTran Transaction or, if Applicable, One or More Alternative Transactions (the “Sale Motion”). In the Bidding Procedures Motion, the Debtors proposed certain bidding procedures (the “Bidding Procedures”) to govern the submission of competing bids for the Midway Assets¹ or such other assets of the Debtors as provided therein.

5. As set forth in the Bidding Procedures Motion, the Debtors agreed to execute an asset purchase agreement (the “Sale Agreement”)² with AirTran Airways, Inc. (“AirTran”) for the sale of certain flight operations and gate leases at Chicago’s Midway Airport, as well as arrival and departure slots at LaGuardia Airport and Ronald Reagan Washington National Airport, for a purchase price of approximately \$89.9 million, subject to higher and better offers.³

¹ Defined terms used but not defined herein shall have the meanings ascribed to such terms in the Bidding Procedures Motion or the Sale Motion.

² The Sale Agreement was ultimately executed on November 16, 2004.

³ The Sale Agreement and the transactions contemplated therein (the “AirTran Transaction”) are also subject to (i) Bankruptcy Court approval, (ii) assertedly, with respect to the transfer of a certain portion of the Midway Assets, the written consent of the City of Chicago, and (iii) the approval of the Debtors’ prepetition lenders (collectively, the “ATSB Lenders”).

6. On November 12, 2004, the Committee filed an objection to the Bidding Procedures Motion asserting that the proposed Bidding Procedures were overly restrictive and likely to chill bidding on the Midway Assets. The Committee asserted, among other things, that the timetable proposed for the Auction process was too short and failed to provide potential bidders sufficient time to complete their due diligence and to formulate a bid. In addition, the Committee asserted that the Debtors' proposed schedule would not allow the Committee and its recently selected professionals an opportunity to acquit their fiduciary duties and fully consider the terms of the Sale Agreement, the transactions contemplated therein, as well as the long-term implications of such a sale on the Debtors' chapter 11 cases and prospects for reorganization. The Committee also objected to the amount of the "Break-up Fee" that AirTran would be entitled to receive if it is deemed not to have been the successful bidder for the Midway Assets, arguing that it was substantially in excess of what is permitted under applicable law and that it would further chill competitive bidding.⁴

7. Prior to the hearing on the Bidding Procedures Motion, which was commenced on November 15, 2004 and adjourned to and completed on November 18, 2004, the Committee was able to consensually resolve all of its objections to the proposed Bidding Procedures, but for the Committee's objection to the amount of the proposed Break-up Fee and Expense Reimbursement.

8. On November 19, 2004, this Court entered an order (the "Bidding Procedures Order") approving the Bidding Procedures Motion and setting the amount of the Break-up Fee at

⁴ The original proposed Break-up Fee was \$3.75 million plus an additional Expense Reimbursement amount of up to an additional \$1 million. Thus, the Committee asserted, in the event that the Debtors enter into an alternative transaction to sell the Midway Assets to a third party, or determine that it is appropriate to pursue a standalone plan of reorganization to maximize value for the Debtors' estates, AirTran would have been entitled to receive \$4.75 million, an amount substantially in excess of what is appropriate under the circumstances

\$3.25 million, providing, however, that to the extent that AirTran becomes entitled to receive the Break-up Fee, it will not be entitled to receive an Expense Reimbursement (which, pursuant to the Agreement, is capped at \$1 million).

9. The Bidding Procedures Order established December 10, 2004 as the deadline for both submitting a bid and for filing an objection to the AirTran transaction. The Auction for bidders submitting Qualified Bids is scheduled to be held on December 13, 2004.

II. LIMITED OBJECTION AND RESERVATION OF RIGHTS

10. The Auction process in these cases has been extremely truncated. Indeed, the deadline for the submission of bids and the deadline to object to the proposed AirTran Transaction are contemporaneous, a mere three weeks after the entry of the Bidding Procedures Order. As such, the Committee is not presently able to determine, among other things, (i) which, if any, of the submitted bids are Qualified Bids, (ii) whether to have an Auction, (iii) who can participate in the Auction, (iv) the manner in which the Debtors intend to conduct the Auction, (v) who will be the Successful Bidder or Bidders, and (vi) whether any proposed transaction, including the AirTran Transaction, maximizes value for these estates. The Committee will only be able to properly evaluate the AirTran Transaction, or any alternative transactions, after the results of the Auction become known and can only do so by comparing the AirTran Transaction and any other bids received. Accordingly, the Committee expressly reserves its right to file an objection to any sale or sales, including the AirTran Transaction, prior to this Court's sale hearing that is currently scheduled to be held on

December 16, 2004, and to make arguments as to why the sale of the Midway Assets, or the sale of such other of the Debtors' assets that may be proposed, should not be approved by this Court.

Dated: December 10, 2004

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served upon the Core Group and the 2002 list by U.S. Mail, postage prepaid on or before 10th day of December 2004.

/s/ C.R. Bowles, Jr.
C.R. Bowles, Jr.
