

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION**

In re:)	Chapter 11
)	
)	Case No. 08-03675-BHL-11
ATA AIRLINES, INC.)	
)	
Debtor)	

**FIRST AMENDED DISCLOSURE STATEMENT UNDER 11 U.S.C. § 1125 IN
SUPPORT OF THE FIRST AMENDED CHAPTER 11 PLAN OF THE DEBTOR**

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Dated: February 3, 2009

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EXHIBITS TO THE DISCLOSURE STATEMENT

Exhibit 1	Chapter 11 Plan
Exhibit 2	Distribution Analysis
Exhibit 3	Liquidation Analysis and Notes
Exhibit 4	Pro Forma Closing Balance Sheets and Notes
Exhibit 5A	Unsecured Creditor Trust – Estimated Cash Flow and Notes
Exhibit 5B	Plan Trust – Estimated Cash Flow and Notes

ARTICLE I. INTRODUCTION

ATA Airlines, Inc. (“ATA” or the “Debtor”) submits this First Amended Disclosure Statement Pursuant to 11 U.S.C. § 1125 in Support of the First Amended Chapter 11 Plan of the Debtor (the “Disclosure Statement”) for use in the solicitation of votes on the Chapter 11 Plan of the Debtor (the “Plan”). The Plan is annexed as **Exhibit 1** to this Disclosure Statement.¹

This Disclosure Statement sets forth certain relevant information regarding the Debtor’s prepetition operations and financial history, the need to seek chapter 11 protection, significant events that have occurred during the Bankruptcy Case, an analysis of the expected return to the Debtor’s Creditors and the issuance of New Equity Interest to the Buyer for the Debtor’s business. This Disclosure Statement also describes terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which Distributions will be made under the Plan. Additionally, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims and Equity Interests must follow for their votes to be counted.

YOU ARE BEING SENT THIS DISCLOSURE STATEMENT BECAUSE YOU ARE A CREDITOR OR OTHER PARTY IN INTEREST OF ATA. THIS DOCUMENT DESCRIBES A CHAPTER 11 PLAN WHICH, WHEN CONFIRMED BY THE BANKRUPTCY COURT WILL GOVERN HOW YOUR CLAIM OR EQUITY INTEREST WILL BE TREATED. THE DEBTOR URGES YOU TO REVIEW THE DISCLOSURE STATEMENT CAREFULLY. ALL HOLDERS OF GENERAL UNSECURED CLAIMS ARE URGED TO REVIEW THE RECOMMENDATION SET OUT IN THE SOLICITATION LETTERS INCLUDED WITH THIS DISCLOSURE STATEMENT. THE DEBTOR AND THE COMMITTEE BELIEVE THAT ALL CREDITORS SHOULD VOTE IN FAVOR OF THE PLAN.

A. Support and Recommendation by the Committee.

On April 16, 2008 the United States Trustee appointed the Official Committee of Unsecured Creditors (the “Committee”). The Committee has been extensively involved with all aspects of the Bankruptcy Case, and specifically, the formulation of the Plan. The Committee supports the Plan in all respects and strongly recommends that each holder of a General Unsecured Claim vote in favor of the Plan. The Committee has provided a letter of recommendation in the solicitation materials included with this Disclosure Statement that explains its support of the Plan.

¹ Except as otherwise provided in this Disclosure Statement, capitalized terms herein have the meaning ascribed to them in the Plan. Any capitalized term used herein that is not defined in the Plan shall have the meaning ascribed to that term in the Bankruptcy Code or Bankruptcy Rules, whichever is applicable.

B. Summary of Plan and Estimated Distributions to Creditors

The Plan provides for the implementation of the Global Settlement among the Debtor, the Administrative Agent, the Committee, the Affiliates, the Unions, and Batman. The Global Settlement is a comprehensive resolution of all disputes and is the framework for resolving Claims of Creditors. The Global Settlement also provides the means for funding Distributions under the Plan. The Global Settlement is more fully described in Article VIII herein. Finally, the Plan provides for the reorganization of the Debtor pursuant to the issuance of New Equity Interest to the Buyer.

Under the Plan, Claims and Equity Interests are classified and each class has its own treatment. The table below describes each class of Claims and Equity Interests, which Claimholders and Interestholders belong in each class, the treatment of each class of Claims or Equity Interests, and the expected recovery of each Claimholder or Interestholder in the respective class.

CUSTOMERS OF THE DEBTOR WHO ASSERT CLAIMS AGAINST THE DEBTOR ARE TREATED UNDER THE PLAN IN CLASS 1.2 TO THE EXTENT SUCH CLAIMS ARE ENTITLED TO PRIORITY OR TREATED IN CLASS 4 TO THE EXTENT SUCH CLAIMS ARE GENERAL UNSECURED CLAIMS NOT ENTITLED TO PRIORITY.

Summary of Plan Treatment

<u>Class Description</u>	<u>Treatment</u>
Class 1.1 – Allowed Priority Employee Claims	<p>Under the Global Settlement, Allowed Priority Employee Claims will receive a certain percentage of (i) \$4 million called the Labor Settlement Fund, (ii) fifty percent (50%) of the Net Preference Recoveries and (iii) Seven and one half percent (7.5%) of the Net FedEx Recoveries.</p> <p>The Debtor estimates Class 1.1 Allowed Priority Employee Claims will be paid in full.</p>
Class 1.2 – Allowed Priority Unsecured Non-Tax Claims	<p>Allowed Priority Unsecured Non-Tax Claims shall be paid from the Priority Claim Fund.</p> <p>The Debtor estimates that Allowed Priority Unsecured Non-Tax Claims will be paid in full.</p>
Class 2 – Allowed Secured Tax Claims	<p>Allowed Secured Tax Claims shall receive either (i) Cash on the Effective Date paid from the Priority Claim Fund; (ii) conveyance of any collateral securing the Allowed Secured Tax Claim, or (iii) such other treatment that may be agreed to by the holder of such Claim and the Plan Trustee.</p> <p>The Debtor estimates that the Allowed Secured Tax Claims will be paid in full.</p>

<u>Class Description</u>	<u>Treatment</u>
Class 3.1 – Allowed Lender Secured Claims	<p>Allowed Lender Secured Claims shall be satisfied by Cash payment of all Lender Recoveries, with the initial Lender Distribution to be made within ten (10) days from the Effective Date and periodically thereafter as Plan Trust Assets that constitute the Lender Recoveries are liquidated into Cash. Lender Deficiency Claims are waived under the Plan and Global Settlement.</p> <p>The Debtor estimates that the recovery on the Lender Secured Claims will be approximately 13.9% based on a total Claim amount of approximately \$365 million. This recovery percentage does not include any Net FedEx Recoveries which are unknown at this time.</p>
Class 3.2 – Allowed Secured Letter of Credit Claims	<p>Allowed Secured Letter of Credit Claims shall be satisfied in full at the election of the Plan Trustee, which shall be made on or before the Effective Date, by either (i) Cash on the Effective Date; (ii) conveyance of the collateral securing the Allowed Secured Letter of Credit Claim, or (iii) such other treatment that may be agreed to by the holder of such Claim and the Plan Trustee.</p> <p>The Debtor estimates that Allowed Secured Letter of Credit Claims will be paid in full because such claims are over-collateralized.</p>
Class 3.3 – Allowed Other Secured Claims	<p>Allowed Other Secured Claims shall be satisfied in full at the election of the Plan Trustee by: (a) Cash on the Effective Date; (b) conveyance of the collateral securing the Other Secured Claim; or (c) such other treatment that may be agreed to by the holder of such Claim and the Plan Trustee.</p> <p>The recovery on Allowed Other Secured Claims will depend on the value of the collateral securing such Claims.</p>
Class 4- Allowed General Unsecured Claims	<p>Each holder of an Allowed General Unsecured Claim will receive a Pro Rata Share of the Unsecured Creditor Distribution.</p> <p>The Debtor estimates that the recovery on Allowed General Unsecured Claims could be in the range of 0.6% to 2.4% with 1.3% as the mid case for recoveries. This recovery percentage does not include any Net FedEx Recoveries which are unknown at this time.</p>
Class 5 – Allowed Subordinated Claims	On the Effective Date, all Allowed Subordinated Claims shall not be entitled to any Distribution under the Plan.
Class 6 – Allowed Equity Interests	On the Effective Date, all existing Equity Interests shall be canceled and shall not be entitled to any Distribution under the Plan.

The foregoing analysis makes certain assumptions, including, without limitation, the amount of General Unsecured Claims ultimately Allowed, the final disposition of the FedEx Litigation (as discussed in Article VI.B herein), recoveries resulting from the Preference Actions (as more fully discussed in Article VI.C herein), and a number of other variables more fully discussed in Article XIII.B herein. The Debtor has prepared a Distribution Analysis which estimates recoveries to certain Creditors. The Distribution Analysis is discussed in Article IX.B herein.

C. Filing of the Debtor's Bankruptcy Case

On April 2, 2008 (defined as the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division (defined as the "Bankruptcy Court"). Shortly after the Petition Date, the Debtor ceased all flight operations and terminated its business and has undertaken a wind-down of its business operations. Pursuant to the wind-down efforts, the Debtor has continued to manage its properties and assets as a debtor-in-possession in accordance with Bankruptcy Code sections 1107 and 1108.

D. Purpose of Disclosure Statement

Section 1125 of the Bankruptcy Code requires the Debtor to prepare and obtain court approval of a Disclosure Statement as a prerequisite to soliciting votes on the Debtor's Plan. The purpose of the Disclosure Statement is to provide information to Creditors and Interestholders that will assist them in deciding how to vote on the Plan.

Approval of this Disclosure Statement does not constitute a judgment by the Bankruptcy Court as to the desirability of the Plan or as to the value or suitability of any consideration offered thereunder. The Bankruptcy Court's approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement contains adequate information to permit you to make an informed judgment regarding acceptance or rejection of the Plan.

E. Hearing on Confirmation of the Plan

The Bankruptcy Court has set March 25, 2009 at 3:00 p.m. prevailing Eastern Time, as the time and date for the hearing (defined as the "Confirmation Hearing") to determine whether the Plan has been accepted by the requisite number of Claimholders and Interestholders and whether the other standards for confirmation of the Plan have been satisfied. Once commenced, the Confirmation Hearing may be adjourned or continued by announcement in open court with no further notice.

F. Disclaimers

THIS DISCLOSURE STATEMENT IS PROVIDED FOR USE SOLELY BY HOLDERS OF CLAIMS AND EQUITY INTERESTS AND THEIR ADVISERS IN CONNECTION WITH THEIR DETERMINATION TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS IMPORTANT INFORMATION THAT MAY BEAR ON YOUR DECISION REGARDING ACCEPTING THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS THE REPRESENTATION OF THE DEBTOR ONLY AND NOT OF ITS ATTORNEYS, ACCOUNTANTS OR OTHER PROFESSIONALS, OR OF THE MEMBERS OF THE COMMITTEE, ITS ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS. FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO AN AUDIT BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT. THE DEBTOR IS NOT ABLE TO CONFIRM THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT INCLUDE ANY INACCURACIES. HOWEVER, THE DEBTOR HAS MADE ITS BEST EFFORT TO PROVIDE ACCURATE INFORMATION AND IS NOT AWARE OF ANY INACCURACY IN THIS DISCLOSURE STATEMENT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN INDEPENDENTLY INVESTIGATED BY THE BANKRUPTCY COURT, AND APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OF THE FAIRNESS OR MERITS OF THE PLAN OR OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT.

THE ONLY REPRESENTATIONS THAT ARE AUTHORIZED BY THE DEBTOR CONCERNING THE DEBTOR, THE VALUE OF ITS ASSETS, THE EXTENT OF ITS LIABILITIES, OR ANY OTHER FACTS MATERIAL TO THE PLAN ARE THE REPRESENTATIONS MADE IN THIS DISCLOSURE STATEMENT. REPRESENTATIONS CONCERNING THE PLAN OR THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT ARE NOT AUTHORIZED BY THE DEBTOR.

HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE AND ALL SUCH HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD CONSULT WITH THEIR OWN ADVISERS.

THE DEBTOR HAS NO ARRANGEMENT OR UNDERSTANDING WITH ANY BROKER, SALESMAN, OR OTHER PERSON TO SOLICIT VOTES FOR THE PLAN. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE PLAN OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTOR. THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME AFTER THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN OR IN THE AFFAIRS OF THE DEBTOR

SINCE THE DATE HEREOF. ANY ESTIMATES OF CLAIMS AND EQUITY INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE FINAL AMOUNTS OF CLAIMS OR EQUITY INTERESTS ALLOWED BY THE BANKRUPTCY COURT. SIMILARLY, THE ANALYSIS OF ASSETS AND THE AMOUNT ULTIMATELY REALIZED FROM THEM MAY DIFFER MATERIALLY.

THE DESCRIPTION OF THE PLAN CONTAINED HEREIN IS INTENDED TO BRIEFLY SUMMARIZE THE MATERIAL PROVISIONS OF THE PLAN AND IS SUBJECT TO AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PROVISIONS OF THE PLAN.

ARTICLE II. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor-in-possession may seek to reorganize its business or to sell the business for the benefit of the debtor's creditors and other interested parties.

The commencement of a chapter 11 case creates an estate comprising all of the debtor's legal and equitable interests in property as of the date the petition is filed. Unless the bankruptcy court orders the appointment of a trustee, a chapter 11 debtor may continue to manage and control the assets of its estate as a "debtor-in-possession," as the Debtor has done in the Bankruptcy Case since the Petition Date.

Formulation of a chapter 11 plan is the principal purpose of a chapter 11 case. Such plan sets forth the means for satisfying the claims of creditors against, and interests of equity security holders in, the debtor.

B. Chapter 11 Plan

After a plan has been filed, the holders of claims against, or equity interests in, a debtor are permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a claim against, or equity interest in, a debtor vote in favor of a plan in order for the plan to be confirmed. At a minimum, however, a plan must be accepted by a majority in number and two-thirds in dollar amount of those claims actually voting from at least one class of claims impaired under the plan. The Bankruptcy Code also defines acceptance of a plan by a class of equity interests as acceptance by holders of two-thirds of the number of shares actually voted.

Classes of claims or equity interests that are not "impaired" under a chapter 11 plan are conclusively presumed to have accepted the plan, and therefore are not entitled to vote. A class is "impaired" if the plan modifies the legal, equitable, or contractual rights attaching to the claims or equity interests of that class. Modification for purposes of impairment does not include curing defaults and reinstating maturity or payment in full in cash. Conversely, classes of claims or equity interests that receive or retain no property under a plan of reorganization are conclusively presumed to have rejected the plan, and therefore are not entitled to vote.

Even if all classes of claims and equity interests accept a chapter 11 plan, the Bankruptcy Court may nonetheless deny confirmation. Bankruptcy Code section 1129 sets forth the requirements for confirmation and, among other things, requires that a plan be in the “best interest” of impaired and dissenting creditors and interestholders and that the plan be feasible. The “best interest” test generally requires that the value of the consideration to be distributed to impaired and dissenting creditors and interestholders under a plan may not be less than those parties would receive if the debtor were liquidated under a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. A plan must also be determined to be “feasible,” which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan and that the debtor will be able to continue operations without the need for further financial reorganization or liquidation.

The Bankruptcy Court may confirm a chapter 11 plan even though fewer than all of the classes of impaired claims and equity interests accept it. The Bankruptcy Court may do so under the “cramdown” provisions of Bankruptcy Code section 1129(b). In order for a plan to be confirmed under the cramdown provisions, despite the rejection of a class of impaired claims or interests, the proponent of the plan must show, among other things, that the plan does not discriminate unfairly and that it is fair and equitable with respect to each impaired class of claims or equity interests that has not accepted the plan.

The Bankruptcy Court must further find that the economic terms of the particular plan meet the specific requirements of Bankruptcy Code section 1129(b) with respect to the subject objecting class. If the proponent of the plan proposes to seek confirmation of the plan under the provisions of Bankruptcy Code section 1129(b), the proponent must also meet all applicable requirements of Bankruptcy Code section 1129(a) (except section 1129(a)(8)). Those requirements include the requirements that (i) the plan comply with applicable Bankruptcy Code provisions and other applicable law, (ii) that the plan be proposed in good faith, and (iii) that at least one impaired class of creditors or interestholders has voted to accept the plan.

ARTICLE III. VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS

A. Ballots and Voting Deadline

A Ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement, and has been mailed to Claimholders and Interestholders (or their authorized representatives) entitled to vote. After carefully reviewing the Disclosure Statement, including all exhibits, each Claimholder or Interestholder (or its authorized representative) entitled to vote should indicate its vote on the enclosed Ballot. All Claimholders and Interestholders (or their authorized representatives) entitled to vote must (i) carefully review the Ballot and instructions thereon, (ii) execute the Ballot, and (iii) return it to the address indicated on the Ballot by the deadline (defined as the “Voting Deadline”) for the Ballot to be considered.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, Ballots for the acceptance or rejection of the Plan must be received no later than March 20, 2009 at 3:00 p.m. prevailing Eastern Time, at the following address:

HAYNES AND BOONE, LLP
Attn: Jermaine K. Johnson
1 Houston Center
1221 McKinney, Suite 2100
Houston, Texas 77010

BALLOTS MUST BE RECEIVED AT THE ABOVE ADDRESS NO LATER THAN MARCH 19, 2009 AT 3:00 P.M. PREVAILING EASTERN TIME. ANY BALLOTS RECEIVED AFTER THAT DEADLINE WILL NOT BE COUNTED.

B. Claimholders and Interestholders Entitled to Vote

Any Claimholder or Interestholder of the Debtor whose Claim or Equity Interest is impaired under the Plan is entitled to vote if either (i) the Claim or Equity Interest has been listed in the Schedules of Assets and Liabilities or the List of Equity Security Holders (and the Claim or Equity Interest is not scheduled as disputed, contingent, or unliquidated) or (ii) the Claimholder or Interestholder has filed a proof of claim or proof of interest on or before any deadline set by the Bankruptcy Court for such filings.

Any holder of a Claim or Equity Interest as to which an objection has been filed (and such objection is still pending) is not entitled to vote, unless the Bankruptcy Court (on motion by a party whose Claim or Equity Interest is subject to an objection) temporarily allows the Claim or Equity Interest in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Such motion must be heard and determined by the Bankruptcy Court on or before the first date set by the Bankruptcy Court for the Confirmation Hearing on the Plan.

In addition, a vote may be disregarded if the Bankruptcy Court determines that the acceptance or rejection was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code.

C. Bar Date for Filing Proofs of Claim

The Bankruptcy Court has established October 2, 2008 at 5:00 p.m. (prevailing Eastern Time) as the general deadline for filing proofs of claim in the Bankruptcy Case (defined as the "General Bar Date"), and also as the deadline for filing a proof of claim by any governmental unit (as defined by section 101(27) of the Bankruptcy Code), with two (2) exceptions: (i) in the event that the Debtor amends its Schedules of Assets and Liabilities, the Debtor must give notice of such amendment to the Claimholder affected thereby, and the affected Claimholder shall have the later of the General Bar Date or thirty (30) days from the date on which notice of such amendment was given to file a proof of claim; and (ii) except as otherwise set forth in any order authorizing the rejection of an Executory Contract, in the event that a Claim arises with respect to the Debtor's rejection of an Executory Contract, the Claimholder shall have the later of the General Bar Date or thirty (30) days after the date any order is entered authorizing the rejection of such Executory Contract. These deadlines along with procedures for filing proofs of claim are described in the Order Granting Motion to Establish a Bar Date for Filing Proofs of Claim and Approving Form and Manner of Notice Thereof, which was approved by the Bankruptcy Court

on August 7, 2008 (the “Bar Date Order”). A copy of the Bar Date Order may be obtained from the Claims Agent’s website at www.bmcgroup.com/ataairlines or by contacting the Debtor’s Notice and Claims Agent:

BMC Group, Inc.
P.O. Box 921
El Segundo, CA 90245-1035
Telephone: (888) 909-0100

D. Definition of Impairment

Under Bankruptcy Code section 1124, a class of claims or equity interests is impaired under a chapter 11 plan unless, with respect to each claim or equity interest of such class, the plan:

- (1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or
- (2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to receive accelerated payment of such claim or equity interest after the occurrence of a default:
 - (a) cures any such default that occurred before or after the commencement of the case under this title, other than a default of a kind specified in Bankruptcy Code section 365(b)(2) or of a kind that section 365(b)(2) expressly does not require to be cured;
 - (b) reinstates the maturity of such claim or equity interest as it existed before the default;
 - (c) compensates the holder of such claim or equity interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law;
 - (d) if such claim or such equity interest arises from any failure to perform a nonmonetary obligation, other than a default arising from failure to operate a nonresidential real property lease subject to Bankruptcy Code section 365(b)(1)(A), compensates the holder of such claim or such equity interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and
 - (e) does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

E. Classes Impaired Under the Plan

Claims or Equity Interests in all Classes (except Class 1.2) are impaired under the Plan. Therefore, holders of those Claims and Equity Interests are eligible, subject to the voting requirements described above, to vote to accept or reject the Plan.

Claims in Class 1.2 are not impaired under the Plan, and therefore holders of those Claims are conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code section 1126(f). Accordingly, the Debtor will not be soliciting votes from Claimholders in this Class.

F. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan; that is, acceptance by a class takes place only if creditors holding claims in that class constituting at least two-thirds in amount of the total amount of claims and more than one-half in number of the creditors actually voting cast their ballots in favor of acceptance.

The Bankruptcy Code defines acceptance of a plan by a class of equity interests as acceptance by holders of at least two-thirds in amount of the allowed equity interests of that class.

G. Information on Voting and Ballots

1. Transmission of Ballots to Claimholders and Interestholders

Ballots are being forwarded to all Claimholders and Interestholders in accordance with the Bankruptcy Rules. Those Claimholders and Interestholders whose Claims or Equity Interests are unimpaired under the Plan are conclusively presumed to have accepted the Plan under Bankruptcy Code section 1126(f), and therefore need not vote with regard to the Plan. Under Bankruptcy Code section 1126(g), Claimholders or Interestholders who do not either receive or retain any property under the Plan are deemed to have rejected the Plan. In the event a Claimholder or Interestholder does not vote, the Bankruptcy Court may deem such Claimholder or Interestholder to have accepted the Plan.

2. Ballot Tabulation Procedures

For purposes of voting on the Plan, the amount and classification of a Claim or Equity Interest and the procedures that will be used to tabulate acceptances and rejections of the Plan shall be exclusively as follows:

- (a) If no proof of claim has been timely filed, (i) the voted amount of a Claim shall be equal to the amount listed for the particular Claim in the Schedules of Assets and Liabilities to the extent such Claim is not listed as contingent, unliquidated, or disputed, and (ii) the Claim shall be placed in

the appropriate Class, based on the Debtor's records and consistent with the Schedules of Assets and Liabilities;

- (b) If no proof of claim has been timely filed and to the extent such Claim is listed as contingent, unliquidated, or disputed based on the Debtor's records and consistent with the Schedules of Assets and Liabilities, then any Ballot filed by such a Claimholder will not be counted;
- (c) If a proof of claim has been timely filed, and has not been objected to before the expiration of the Voting Deadline, the voted amount of that Claim shall be as specified in the timely filed proof of claim;
- (d) If no proof of interest has been filed, the voted amount of an Equity Interest shall be equal to the amount listed for the particular Equity Interest in the List of Equity Security Holders, and the Equity Interest shall be placed in the appropriate Class based on the Debtor's records and consistent with the Schedule of Equity Interests;
- (e) If a proof of interest has been timely filed, and has not been objected to before the expiration of the Voting Deadline, the voted amount of that Equity Interest shall be as specified in the timely filed proof of interest;
- (f) Subject to subparagraph (g) below, a Claim or Equity Interest that is the subject of an objection filed before the Voting Deadline shall be disallowed for voting purposes, except to the extent and in the manner that the Debtor indicates in its objection that the Claim or Equity Interest should be allowed for voting or other purposes;
- (g) If a Claim or Equity Interest has been estimated or otherwise allowed for voting purposes by order of the Bankruptcy Court, the voted amount and classification shall be that set by the Bankruptcy Court;
- (h) If a Claimholder or Interestholder or its authorized representative did not use the Ballot provided by the Debtor, the Official Ballot Form authorized under the Federal Rules of Bankruptcy Procedure, or a substantially similar form of ballot, such Ballot will not be counted;
- (i) If the Ballot is not received by the Debtor on or before the Voting Deadline at the place fixed by the Bankruptcy Court, the Ballot will not be counted;
- (j) If the Ballot is not signed by the Claimholder or Interestholder or its authorized representative, the Ballot will not be counted;
- (k) If the individual or institution casting the Ballot (whether directly or as a representative) was not the holder of a Claim or Equity Interest on the Disclosure Statement Approval Date, the Ballot will not be counted;

- (l) If the Claimholder or Interestholder or its authorized representative did not check one of the boxes indicating acceptance or rejection of the Plan, or checked both such boxes, the Ballot will not be counted;
- (m) Whenever a Claimholder or Interestholder (or its authorized representative) submits more than one Ballot voting the same Claim(s) or Equity Interest(s) before the applicable deadline for submission of Ballots, except as otherwise directed by the Bankruptcy Court after notice and a hearing, the last such Ballot shall be deemed to reflect the voter's intent and shall supersede any prior Ballots;
- (n) If a representative of Claimholders or Interestholders is authorized to file a proof of claim or proof of interest on behalf of the Person it represents, pursuant to an order of the Bankruptcy Court, or otherwise, such representative may submit one Ballot voting all Claims or Equity Interests so long as such Ballot complies with all other tabulation procedures above.

3. Execution of Ballots by Representatives

Other than Ballots submitted by the Unions and Batman, if a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, such Persons must indicate their capacity when signing and, at the Debtor's request, must submit proper evidence satisfactory to the Debtor of their authority to so act. A Ballot filed by a representative of any of the Unions or Batman shall be deemed valid and enforceable. For purposes of voting tabulation, a Ballot filed by a representative of a Union or Batman shall account for the total number of represented parties with respect to the numerosity requirement set forth in this Article.

4. Waivers of Defects and Other Irregularities Regarding Ballots

Unless otherwise directed by the Bankruptcy Court, all questions concerning the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Debtor in its sole discretion, whose determination will be final and binding. The Debtor reserves the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtor or its counsel, be unlawful. The Debtor further reserves the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtor (or the Bankruptcy Court) determines. Neither the Debtor nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor will any of them incur any liability for failure to provide such notification; provided, however, that the Debtor will indicate on the Ballot summary the Ballots, if any, that were not counted, and will provide the original of such Ballots with the original of the ballot summary to be submitted at the Confirmation Hearing. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until any irregularities have been cured or waived. Unless otherwise directed by the Bankruptcy Court, Ballots previously furnished, and as to which any irregularities have not subsequently been cured or waived, will be invalidated.

5. Withdrawal of Ballots and Revocation

Any holder of a Claim or Equity Interest (or its authorized representative) in an impaired Class who has delivered a valid Ballot for the acceptance of the Plan may withdraw such acceptance by delivering a written notice of withdrawal to counsel for the Debtor at any time before the Voting Deadline. Any holder of a Claim or Equity Interest (or its authorized representative) in an impaired Class who has delivered a valid Ballot for the rejection of the Plan may withdraw such rejection by delivering a written notice of withdrawal to counsel for the Debtor at any time before the Confirmation Hearing.

To be valid, a notice of withdrawal must:

- contain the description of the Claims or Equity Interests to which it relates and the aggregate principal amount or number of shares represented by such Claims or Equity Interests;
- be signed by the Claimholder or Interestholder (or its authorized representative) in the same manner as the Ballot; and
- be received by counsel for the Debtor in a timely manner at the address set forth in this Disclosure Statement for the submission of Ballots.

The Debtor expressly reserves the absolute right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots that is not received in a timely manner by the Debtor will not be effective to withdraw a previously furnished Ballot.

Any Claimholder or Interestholder (or its authorized representative) who has previously submitted a properly completed Ballot before the Voting Deadline may revoke such Ballot and change its vote by submitting before the Voting Deadline a subsequent, properly completed Ballot for acceptance or rejection of the Plan.

H. Confirmation of Plan

1. Solicitation of Acceptances

The Debtor is soliciting your vote.

NO REPRESENTATIONS OR ASSURANCES, IF ANY, CONCERNING THE DEBTOR OR THE PLAN ARE AUTHORIZED BY THE DEBTOR, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED ON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH

ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO DEBTOR'S COUNSEL FOR APPROPRIATE ACTION.

THIS IS A SOLICITATION SOLELY BY THE DEBTOR, AND IS NOT A SOLICITATION BY ANY SHAREHOLDER, ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL FOR THE DEBTOR. THE REPRESENTATIONS, IF ANY, MADE IN THIS DISCLOSURE STATEMENT ARE THOSE OF THE DEBTOR AND NOT OF SUCH SHAREHOLDERS, ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS, EXCEPT AS MAY BE OTHERWISE SPECIFICALLY AND EXPRESSLY INDICATED.

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by Bankruptcy Code section 1125(b). Violation of Bankruptcy Code section 1125(b) may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of Bankruptcy Code section 1129 have been satisfied, in which event the Bankruptcy Court shall enter an Order confirming the Plan. For the Plan to be confirmed, Bankruptcy Code section 1129 requires that:

- (a) The Plan complies with the applicable provisions of the Bankruptcy Code;
- (b) The Debtor has complied with the applicable provisions of the Bankruptcy Code;
- (c) The Plan has been proposed in good faith and not by any means forbidden by law;
- (d) Any payment or distribution made or promised by the Debtor or by a Person issuing securities or acquiring property under the Plan for services or for costs and expense in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;
- (e) The Debtor has disclosed the identity and affiliation of any individual proposed to serve, after confirmation of the Plan, as a director, officer or voting trustee of the Debtor, an affiliate of the Debtor participating in a joint plan with the Debtor, or a successor to the Debtor under the Plan; the appointment to, or continuance in, such office of such individual is consistent with the interests of Creditors and Interestholders and with public policy; and the Debtor has disclosed the identity of any insider that will be employed or retained by the Reorganized Debtor and the nature of any compensation for such insider;

- (f) Any government regulatory commission with jurisdiction (after confirmation of the Plan) over the rates of the Debtor has approved any rate change provided for in the Plan, or such rate change is expressly conditioned on such approval;
- (g) With respect to each impaired Class of Claims or Equity Interests, either each holder of a Claim or Equity Interest of the Class has accepted the Plan, or will receive or retain under the Plan on account of that Claim or Equity Interest, property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor were liquidated on such date under chapter 7 of the Bankruptcy Code. If Bankruptcy Code section 1111(b)(2) applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the Debtor's interest in the property that secures that claim;
- (h) Each Class of Claims or Equity Interests has either accepted the Plan or is not impaired under the Plan, subject to the Debtor's right to seek cramdown of the Plan under section 1129(b) of the Bankruptcy Code;
- (i) Except to the extent that the holder of a particular Administrative Claim has agreed to a different treatment of its Claim, the Plan provides that Administrative Claims shall be paid in full on the Effective Date;
- (j) With respect to holders of Priority Unsecured Non-Tax Claims, the Plan provides that if such Class has accepted the Plan, Priority Unsecured Non-Tax Claims shall receive deferred cash payments of a value, as of the Effective Date, equal to the amount of such claim, or, if such Class has not accepted the Plan, the Plan provides for cash on the Effective Date equal to the allowed amount of such Claims;
- (k) With respect to Priority Unsecured Tax Claims, the Plan provides that the holder of such Claim will receive on account of such claim regular installment payments in cash (i) of a total value, as of the Effective Date, equal to the allowed amount of such Claim, (ii) over no more than a 5 year period after the Confirmation Order, and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the Plan;
- (l) With respect to a Secured Claim that would otherwise be a Priority Unsecured Tax Claim, but for the secured status of the claim, the holder of that Claim will receive on account of such Claim, cash payments, in the same manner and over the same period as Priority Unsecured Tax Claims;
- (m) If a Class of Claims or Equity Interests is impaired under the Plan, at least one such Class of Claims or Equity Interests has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim or Equity Interest of that Class; and

- (n) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.
- (o) All court fees, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date;
- (p) The Plan provides for the continuation after the Effective Date of payment of all retiree benefits, as that term is defined in Bankruptcy Code section 1114, at the level established by section 1114(e)(1)(B) or section 1114(g), at any time prior to Confirmation, for the duration of the period the Debtor has obligated itself to provide such benefits; and
- (q) The Plan provides that all transfers of property shall be made in accordance with applicable provisions of nonbankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

The Debtor believes that the Plan satisfies all of the statutory requirements of the Bankruptcy Code for confirmation and that the Plan was proposed in good faith. The Debtor believes it has complied, or will have complied, with all the requirements of the Bankruptcy Code governing confirmation of the Plan.

3. Acceptances Necessary to Confirm the Plan

Voting on the Plan by each holder of an Impaired Claim (or its authorized representative) is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim or Equity Interest vote in favor of the Plan in order for the Bankruptcy Court to confirm the Plan. Generally, under the acceptance provisions of Bankruptcy Code section 1126(a), each Class of Claims or Equity Interests has accepted the Plan if holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class actually voting in connection with the Plan vote to accept the Plan. With regard to a Class of Equity Interests, more than two-thirds of the shares actually voted must accept to bind that Class. Even if all Classes of Claims and Equity Interests accept the Plan, the Bankruptcy Court may refuse to confirm the Plan.

4. Cramdown

In the event that any impaired Class of Claims or Equity Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtor if, as to each impaired Class that has not accepted the Plan, the Plan “does not discriminate unfairly” and is “fair and equitable.” A chapter 11 plan does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interests. “Fair and equitable” has different meanings for holders of secured and unsecured claims and equity interests.

With respect to a secured claim, “fair and equitable” means either (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal to the allowed amount of its claims with a present value as of the effective date of the plan at least equal to the value of such creditor’s interest in the property securing its liens; (ii) property subject to the lien of the impaired secured creditor is sold free and clear of that lien, with that lien attaching to the proceeds of sale, and such lien proceeds must be treated in accordance with clauses (i) and (iii) hereof; or (iii) the impaired secured creditor realizes the “indubitable equivalent” of its claim under the plan.

With respect to an unsecured claim, “fair and equitable” means either (i) each impaired creditor receives or retains property of a value equal to the amount of its allowed claim or (ii) the holders of claims and equity interests that are junior to the claims of the dissenting class will not receive any property under the plan.

With respect to equity interests, “fair and equitable” means either (i) each impaired equity interest receives or retains, on account of that equity interest, property of a value equal to the greater of the allowed amount of any fixed liquidation preference to which the holder is entitled, any fixed redemption price to which the holder is entitled, or the value of the equity interest, or (ii) the holder of any equity interest that is junior to the equity interest of that class will not receive or retain under the plan, on account of that junior equity interest, any property.

The Debtor believes that the Plan does not discriminate unfairly and is fair and equitable with respect to each impaired Class of Claims and Equity Interests. In the event at least one Class of impaired Claims or Equity Interests rejects or is deemed to have rejected the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable and does not discriminate unfairly against any rejecting impaired Class of Claims or Equity Interests.

ARTICLE IV. BACKGROUND OF THE DEBTOR

A. Description of Debtor’s Business

Prior to filing the Bankruptcy Case, the Debtor operated a diversified international passenger airline that operated in two principal business segments: (a) a low cost carrier operation that provided scheduled passenger service that leveraged a code share agreement with Southwest Airlines, Inc. (“Southwest”) and (b) a charter operation focusing primarily on providing charter service to the United States government/military.

ATA operated scheduled passenger flights throughout the United States mainland and Hawaii, as well as military and commercial charter flights around the world. ATA maintained focus cities at Chicago Midway International Airport (“Midway”), Honolulu International Airport, and Oakland International Airport.

ATA was North America’s largest charter airline, and until its shutdown was a major provider of U.S. troop transport to the United States Military. ATA also provided customers of its charter service with cargo capacity. As discussed in more detail in Article VI.B herein, the

majority of ATA's charter business was derived from a contract with Federal Express Corporation ("FedEx").

B. The First Bankruptcy Case

On October 26, 2004, ATA Holdings Corp. (defined as "ATA Holdings") and its subsidiaries, including ATA, filed for chapter 11 bankruptcy protection (the "First Bankruptcy Case"). The common stock of ATA Holdings was publicly traded on the NASDAQ stock exchange under the symbol "ATAH." The common stock was delisted by the Securities and Exchange Commission and subsequently canceled during the First Bankruptcy Case pursuant to the First Amended Joint Chapter 11 Plan for Reorganizing Debtors, which was confirmed by the Bankruptcy Court on January 31, 2006.

In the late summer of 2005, ATA Holdings sought to raise capital in connection with its efforts to emerge from the First Bankruptcy Case. MatlinPatterson ultimately sponsored ATA Holdings' emergence from the First Bankruptcy Case based upon a business plan that focused on the strength of the private and military charter business. MatlinPatterson committed up to \$120 million to sponsor ATA Holding's emergence. As part of this commitment, in December, 2005, MatlinPatterson provided \$30 million in debtor-in-possession financing ("DIP Financing").

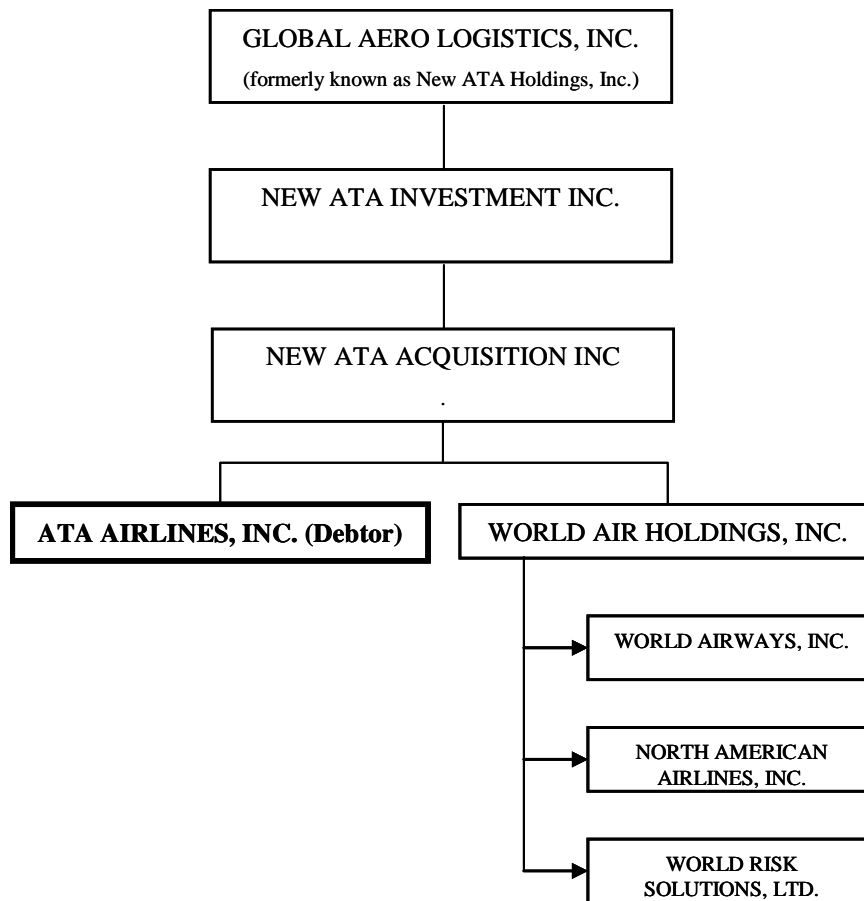
Thereafter, on February 28, 2006, ATA emerged from the First Bankruptcy Case with a new parent company called New ATA Holdings, Inc. When ATA emerged from the First Bankruptcy Case, the DIP Financing was converted to equity in New ATA Holdings, Inc. (and subsequently Global Aero Logistics, Inc. ("GAL")). MatlinPatterson also made a \$24 million loan to ATA (the "Matlin Term Loan") and made an additional equity capital contribution in the amount of \$45 million to New ATA Holdings, Inc.

Thus, by the end of February 2006, MatlinPatterson had made the Matlin Term Loan and a total equity investment of \$75 million in New ATA Holdings, Inc (and subsequently GAL). As a result, MatlinPatterson became a 70% shareholder of New ATA Holdings, Inc.

C. Corporate Information and Debtor's Relationship to Subsidiaries and Affiliates

1. Corporate Structure

ATA is an Indiana corporation and is a wholly owned subsidiary of New ATA Acquisition, Inc. ("ATA Acquisition"). ATA Acquisition is a wholly owned subsidiary of New ATA Investment, Inc. ("ATA Investment"), and ATA Investment is a wholly owned subsidiary of GAL. ATA Acquisition also owns another holding company subsidiary, World Air Holdings, Inc. ("World Air"), which it acquired through a merger transaction completed in August 2007. World Air owns and operates two other airlines – World Airways, Inc. ("World Airways") and North American Airlines, Inc ("North American Airlines"). None of the entities in the GAL corporate family (other than the Debtor) has sought bankruptcy protection contemporaneously with the filing of the Bankruptcy Case. An organizational chart depicting the Debtor's corporate structure is below:



The Debtor's parent company, New ATA Holdings, Inc. (the successor to ATA Holdings), changed its name to GAL on April 5, 2007, and purchased World Air for \$315 million in an all cash transaction with the financial backing of MatlinPatterson.

2. Current Officers and Directors of Debtor

The current management of the Debtor is composed of experienced professionals with substantial familiarity with the airline industry. The Debtor's current directors, and the capacities in which they serve as officers, are as follows:

Doug Yakola	Director
Brian Hunt	Director
Steven S. Turoff	Director and Chief Restructuring Officer

D. Events Leading to the Second Bankruptcy Case

The Debtor emerged from the First Bankruptcy Case as a smaller and more efficient airline. As with many in the industry, it continued to experience problems as a result of fuel costs and competition. Most significantly, on January 22, 2008, FedEx abruptly and

unexpectedly notified the Debtor that despite the terms of the FedEx Letter Agreement,² FedEx would no longer permit the Debtor to be a member of the FedEx team for flying AMC (as defined below) military charters for government fiscal year 2009. The unexpected termination of the Debtor from participating on the FedEx team resulted in the loss of substantially all of the Debtor's AMC (as defined below) charter business.

To address liquidity concerns relating to the Debtor's scheduled service business, the Debtor explored strategic opportunities including network restructuring, eliminating certain routes, international expansion, business combinations, shutting down entirely, and partial or complete divestiture. In order to maintain operations, it was necessary for the Debtor to borrow money from one of its affiliated airlines, World Airways.

In November 2007 and January 2008, as part of its efforts to streamline its business and survive as an ongoing business, the Debtor discontinued service on certain routes (Chicago to N.Y., Chicago to Washington, D.C. and Chicago to Honolulu). The Debtor announced additional route discontinuations for the spring of 2008.

Specifically, on March 6, 2008, the Debtor announced that it would discontinue service at Midway effective April 14, 2008 for domestic routes, and effective June 7, 2008, for international routes as a result of extreme financial pressure on the Debtor's scheduled service business. The aircraft previously used to service these routes were redeployed to the Debtor's commercial charter segment and AMC (as defined below) military charter, which was then terminated by FedEx.

The Debtor had been making progress in working through its operational issues and was in the process of identifying additional sources of capital and potential business partners. However, the January 2008 cancellation by FedEx of the FedEx Letter Agreement was an abrupt and unanticipated below which crippled the future viability of the Debtor in the capital markets. The Debtor's operating revenues were significantly and negatively impacted by FedEx's unexpected termination of the Debtor's participation in the FedEx team.

As a result of FedEx's actions, the Debtor was compelled to seek bankruptcy protection and subsequently ceased operations.

ARTICLE V. DEBTOR'S ASSETS AND LIABILITIES

A. Prepetition Financing Arrangements

On August 14, 2007, ATA Acquisition, as borrower (the "Borrower"), entered into the Term Loan Agreement, with the Lenders and the Administrative Agent, pursuant to which the Lenders made loans and other financial accommodations to or for the benefit of the Borrower, the Debtor, and the Borrower's other subsidiaries. The Term Loan Agreement provides for a \$340 million loan to ATA Acquisition which is guaranteed by a number of its affiliates,

² In September 2006, the Debtor entered into a letter agreement with FedEx under which the Debtor was to receive fifty percent (50%) of the FedEx team's share of the passenger airlift military business for government fiscal years ending September 30, 2007, 2008 and 2009 (the "FedEx Letter Agreement").

including the Debtor. Under the Term Loan Agreement, initial amounts were funded to ATA Acquisition (the “Initial Loan”) with an initial maturity date of August 14, 2008, unless converted into a term loan. The Initial Loan was not repaid or exchanged for exchange notes by August 14, 2008, and therefore, the Initial Loans were converted into a term loan (the “Term Loan”). The Term Loan matures on August 14, 2015. The proceeds of the loans were used in connection with the acquisition of World Air to repay existing indebtedness and to pay certain transaction costs, fees, and expenses related to the transactions contemplated by the Term Loan Agreement.

The Initial Loan and the Term Loan under the Term Loan Agreement bear interest at variable rates based upon certain formulas that are described in detail in the Term Loan Agreement.

The Term Loan Agreement contains customary affirmative and negative covenants, including restrictions on indebtedness, certain payments, distributions from subsidiaries, sales of assets and subsidiary stock, and liens.

The Term Loan Agreement also contains customary events of default, including those resulting from nonpayment of principal, interest, or other amounts or failure to redeem, prepay, or purchase loans when required.

Pursuant to the terms of the Term Loan Agreement, each of ATA Acquisition, GAL, New ATA Investment, the Debtor and each subsidiary guarantor identified therein, as grantors, executed a Guarantee and Collateral Agreement (the “Guarantee and Collateral Agreement”) in favor of the Administrative Agent, for the benefit of the Administrative Agent and the Lenders. The Guarantee and Collateral Agreement creates a security interest in substantially all of the personal property of the grantors,³ commercial tort claims arising after the date of such Guarantee and Collateral Agreement, fixtures, as-extracted collateral, timber to be cut, and registered copyrights, if any, as security for the payment of the obligations and indebtedness of the Debtor under the Term Loan Agreement.

In addition to the Guarantee and Collateral Agreement, a Mortgage and Security Agreement dated August 14, 2007, was executed among World Airways and the Administrative Agent and a Mortgage and Security Agreement dated August 14, 2007, was executed among ATA and the Administrative Agent (the “ATA Mortgage and Security Agreement”). The ATA Mortgage and Security Agreement creates a lien on two L-1011 aircraft (bearing FAA Registration Nos. N164AT and N161AT) and related engines of the Debtor as described in such mortgage, and the proceeds thereof.

B. Schedules of Assets and Liabilities

Pursuant to Bankruptcy Code section 541 and Bankruptcy Rule 1007, a debtor seeking relief under the Bankruptcy Code must file schedules of assets and liabilities and statement of financial affairs. Accordingly, on May 28, 2008, the Debtor filed the Schedules of Assets and

³ Under the terms of the Guarantee and Collateral Agreement, the personal property does not include certain excluded property.

Liabilities, reflecting its assets and liabilities as of the Petition Date. On December 10, 2008, the Debtor filed amendments to certain of the Schedules of Assets and Liabilities.

1. Assets

As of the Petition Date, the Debtor owned no real property. The Debtor scheduled personal property assets in the approximate amount of \$250 million plus certain unknown amounts. The personal property includes, without limitation (i) accounts receivable in the approximate amount of \$113 million; (ii) cash and certain financial accounts in the approximate amount of \$39 million; (iii) inventory in the approximate amount of \$29 million; (iv) 13 aircraft, engines, and related accessories in the approximate amount of \$27 million; (v) certain security deposits in the approximate amount of \$11 million; (vi) certain machinery, fixtures, equipment and supplies in the approximate amount of \$8 million; (vii) certain other contingent and unliquidated claims in the approximate amount of \$4 million plus certain unknown amounts; and (viii) other property in the approximate amount of \$19 million. The unknown amounts include, without limitation (i) contingent and unliquidated Claims, including tax refunds, counterclaims of the Debtor, and rights to setoff claims; (ii) interests in insurance policies; and (iii) potential litigation-related recoveries.

2. Liabilities

The Debtor also scheduled certain liabilities consisting of (i) Secured Claims in the approximate amount of \$373 million plus certain unknown amounts; (ii) Unsecured Priority Tax Claims in the approximate amount of \$3 million plus certain unknown amounts; and (iii) General Unsecured Claims in the approximate amount of \$329 million plus certain unknown amounts.

(a) Secured Claims

The vast majority of the total scheduled Secured Claims represents the approximate \$365 million liability arising from the Term Loan Agreement and Guarantee and Collateral Agreement. The remaining Secured Claims include, without limitation (i) approximately \$1.78 million of Claims secured by letters of credit; (ii) approximately \$4.4 million of Claims secured by certain deposits; and (iii) approximately \$1.5 million of Claims secured by notes other than the Term Loan Agreement.

(b) Unsecured Priority Tax Claims

The scheduled tax-related claims include approximately (i) \$2.4 million in personal property taxes; (ii) \$330,000 in real property taxes; (iii) \$119,000 in use taxes; (iv) an unknown amount in state income taxes; and (v) less than \$15,000 in sales taxes.

(c) General Unsecured Claims

The scheduled General Unsecured Claims represent an approximate aggregate amount of \$329 million plus certain unknown amounts and are generally divided into five categories: (i) Claims based upon goods provided or services performed for the benefit of Debtor; (ii) Claims stemming from employees or former employees of Debtor; (iii) Claims based upon the contractual rights of a Creditor; (iv) Claims based upon prepetition ongoing or potential

litigation; and (v) Claims based upon ongoing or potential worker's compensation Claims. Claims based upon prepetition or ongoing litigation or worker's compensation Claims are contingent, unliquidated, and disputed.

C. Summary of Proofs of Claim

The General Bar Date for filing proofs of claim in the Bankruptcy Cases was October 2, 2008. A summary of the claims filed against the Debtor on or before the General Bar Date is set forth below:

Type of Claim	Number of Claims	Approximate Amount
Administrative	63	\$5 million
Priority Unsecured	1,269	\$23 million
Secured	280	\$402 million
Unsecured	3,011	\$585 million

The Debtor, in consultation with its advisors, has done a preliminary review and reconciliation of the filed proofs of claim. For a more complete discussion of this reconciliation, see Article IX.A herein.

ARTICLE VI. LEGAL PROCEEDINGS

A. The WARN Adversaries

After filing the Bankruptcy Case, the Debtor ceased all of its operations and terminated the employment of substantially all of its employees. Subsequently, several adversary complaints were filed against the Debtor alleging violations of the Worker Adjustment and Refraining Notification Act, 29 U.S.C. § 2101 et seq. (defined as the "WARN Act").⁴

On April 8, 2008, Kevin Batman filed an adversary complaint against the Debtor - a class action representing all non-unionized employees - seeking recovery of damages equal in amount to 60 days' pay and other benefits by reason of the Debtor's alleged violation of the WARN Act (the "Batman WARN Adversary").⁵ Subsequently, each of the Unions (other than AMFA) filed a separate adversary complaint against the Debtor alleging similar WARN Act violations (together with the Batman WARN Adversary, defined as the "WARN Adversaries"). According to the WARN Adversaries, employees of the Debtor were terminated as a result of mass layoffs and plant closings without at least 60 days' advanced notice of termination as required by the

⁴ Under the WARN Act, and subject to certain statutory defenses, affected employees (employees not receiving the required WARN notice) are entitled to 60 days of back pay and benefits (actually calculated as the amount of wages and benefits the employee would have been entitled to had they been employed during the 60 day period prior to shutdown).

⁵ On April 10, 2008, Joshua Dannel, a former employee of ATA, filed an adversary complaint against ATA alleging WARN Act violations (the "Dannel WARN Adversary"). The Dannel WARN Adversary was later dismissed in favor of the Batman WARN Adversary.

WARN Act. The Debtor vigorously disputes the allegations in the WARN Adversaries and has asserted numerous defenses that liability under the WARN Act does not exist.

On June 13, 2008, the Bankruptcy Court entered an order setting a settlement conference for July 29, 2008. During the week preceding the settlement conference, the Debtor engaged in separate meetings with the WARN Act Plaintiffs to present a proposal to settle all claims asserted against the Debtor in the WARN Adversaries as well as other Employee Claims arising under various collective bargaining agreements or pursuant to the employee relationship. The meetings between the Debtor and the WARN Act Plaintiffs were undertaken pursuant to section 1113 of the Bankruptcy Code.

These discussions ultimately resulted in a settlement in principle being reached between the Debtor and the WARN Act Plaintiffs resolving all Claims asserted in the WARN Adversaries as well as other Employee Claims. The settlement in principle became part of the Global Settlement, which is the cornerstone for the Plan and is described in greater detail in Article VIII herein.

B. FedEx Litigation

1. Introduction

Since 1983, the Debtor has worked with the United States Air Force's Air Mobility Command ("AMC") providing worldwide charter passenger services for military personnel and their families. As a member of the Civil Reserve Air Fleet (defined as "CRAF"), Debtor was one of the largest civilian transporters of U.S. military personnel and their families to and from overseas deployments, with associated annual revenues exceeding \$400 million. For many years, Debtor was a member of a team, headed by FedEx as team leader, which jointly with other carriers provided charter passenger and freight services to the U.S. military. Flying for the military had been for decades a cornerstone of Debtor's charter business plan and was expected to remain so in the future.

AMC is the United States Air Force Component of the United States Transportation Command. AMC is responsible for providing airlift, special missions, aerial refueling, and aeromedical evacuation for troops. However, the military alone does not have the capacity to meet all of its flying needs. As a result, the military relies on civilian aircraft that are part of the CRAF.

CRAF provides an orderly system for meeting the military's airlift needs. Pursuant to the CRAF program, civilian airlines register aircraft that are assigned to three different segments of CRAF: international (which is subdivided into short range and long range), national, and aeromedical. The long range international segment consists of passenger and cargo aircraft capable of transoceanic operations.

To be eligible to join CRAF, a carrier must commit to make a certain percentage of its CRAF-capable passenger and cargo fleets available to the military upon the declaration of a CRAF emergency. When a CRAF emergency is declared, CRAF-registered airlines must make their aircraft and a specified number of personnel available, upon demand and upon short notice, to undertake CRAF missions.

CRAF thus provides to the military an adequate reserve of planes and personnel for emergency purposes – i.e., upon the declaration of a CRAF emergency – while saving the government the costs of purchasing and maintaining a reserve fleet of aircraft. In this way, CRAF provides a major benefit to the government.

To provide incentives for airlines to commit aircraft to CRAF, and to ensure the availability of adequate airlift reserves in the event of the declaration of a CRAF emergency, the United States Government offers CRAF participants the opportunity to bid on an annually guaranteed minimum volume of non-emergency military charter missions, which is known as the “fixed award business.” Carriers are awarded points proportionately based on the number and type of aircraft that each carrier pledges to make available to CRAF. The points thus represent the proportionate right to fly military charter missions, and determine the amount of such work on which each carrier may bid.

Beyond the guaranteed volume, the military also makes additional non-emergency military missions available to CRAF participants in proportion to their allotted points. These missions are known as the “expansion award business.” Expansion award business is awarded monthly based on the military’s needs. In fiscal year 2005, for example, the military awarded \$418 million in fixed award business under the guaranteed portion of the military charter business, and more than four times as much \$1.78 billion, in expansion award business.

All major U.S. passenger air carriers, most U.S. cargo air carriers and many minor U.S. air carriers register aircraft with CRAF, thus entitling them to non-emergency military charter missions.

At all relevant times, FedEx and Debtor were members of the long-range international section of CRAF. In January 2008, FedEx provided Debtor with an abrupt notice of ouster of Debtor from the FedEx team in violation of FedEx’s contractual and other promises to Debtor, FedEx’s duties to Debtor, and without considering the dire consequences to the needs of the U.S. military, troops or to the viability of Debtor.

FedEx’s wrongful conduct in removing Debtor from the FedEx team financially destroyed Debtor and caused Debtor to file bankruptcy and thereafter cease operations. Moreover, FedEx was aware long before FedEx terminated Debtor that Debtor had made recent and substantial multi-million dollar capital expenditures to increase the charter services it could provide to the U.S. military. Specifically, in December of 2006, Debtor incurred debt in excess of \$50 million which included the purchase of seven McDonnell Douglas DC-10-30 aircraft and two McDonnell Douglas DC-10-30 airframes from Northwest Airlines and associated costs in order to satisfy Debtor’s obligations to FedEx, the FedEx team and the U.S. military. Shortly before the Debtor entered into the aircraft purchase agreement with Northwest Airlines, FedEx reconfirmed in writing that the Debtor would have a 50% share of the FedEx team’s military passenger service for government fiscal years 2007, 2008 and 2009. In January 2008, after Debtor had committed a substantial portion of its operations and financial resources to serving the U.S. military and their families, FedEx gave notice that it was terminating Debtor as a member of the FedEx team.

2. ATA District Court Complaint

As noted above, on January 22, 2008, FedEx abruptly and unexpectedly notified ATA that, despite its prior promises, representations and the performance of the parties, FedEx would no longer permit ATA to be a member of the FedEx team for flying AMC military charters for government fiscal year 2009. The unexpected termination of ATA from participating on the FedEx team resulted in the prospective loss of all or substantially all of ATA's AMC charter business. ATA's longstanding participation in the FedEx team was the mainstay of its charter business and was ATA's most important profit center.

As a result of FedEx's termination of ATA, ATA filed a complaint against FedEx in the United States District Court for the Southern District of Indianapolis ("District Court") alleging six counts, including: (i) breach of contract; (ii) breach of fiduciary duty; (iii) breach of duty of good faith and fair dealing; (iv) equitable estoppel; (v) promissory estoppel; and (vi) constructive fraud/fraudulent concealment. Pursuant to the requirements of the District Court's scheduling order, ATA has made a settlement demand on FedEx for the total destruction of the value of ATA's business enterprise in the amount of \$236,448,000. This settlement demand was made without prejudice to the Debtor's right to amend, supplement and increase its demand because FedEx has only produced a small amount of the documents that ATA has requested and no depositions have been taken.

The District Court has set (and the parties have agreed to) various discovery and other deadlines and the District Court has set the FedEx Litigation for trial in 2010. FedEx and ATA have each initiated discovery against the other and are proceeding under the case management plan established in the case.

C. Recovery on Preference Actions and Other Avoidance Actions

During the ninety (90) days immediately preceding the Petition Date, while insolvent, the Debtor made various payments and other transfers to creditors on account of antecedent debts. Some of those payments may be subject to avoidance and recovery as preferential and/or fraudulent transfers pursuant to Bankruptcy Code sections 329, 544, 545, 547, 548, 549, 550, and 553(b).

The Plan Trust will hold all causes of action called Rights of Action under the Plan, however, Rights of Action specifically excludes Preference Actions. The Plan Trustee may commence or continue, in any appropriate court or tribunal, any suit or other proceeding for the enforcement of such Rights of Action.

The Unsecured Creditor Trust will hold all Preference Actions that the Debtor had (or had power to assert) immediately prior to confirmation of the Plan. The Unsecured Creditor Trustee may commence or continue, in any appropriate court or tribunal, any suit or other proceeding for the enforcement of Preference Actions.

The Debtor's Statement of Financial Affairs identifies the parties who received payments and transfers from the Debtor, which payments and transfers may be avoidable under the Bankruptcy Code. Moreover, the Debtor continues to investigate Preference Actions and Rights

of Action it may have against third parties. While the Debtor has not completed its investigation of potential objections to Claims, Preference Actions and Rights of Action, the Debtor is able to provide an estimate of amounts that could be recovered on Preference Actions, as discussed more fully below.

THE PLAN DOES NOT, AND IS NOT INTENDED TO, RELEASE ANY RIGHTS OF ACTION, PREFERENCE ACTIONS, OR OBJECTIONS TO PROOFS OF CLAIM. ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED.

A detailed analysis of potential Preference Actions is set forth below:

Preference Analysis

Estimates (Dollars in Thousands)

	Gross Payments	Low	Mid	High
Payments Made 90 days prior to Filing, per SOFA Schedule 3(b) (Note 1)	\$235,144			
Adjustments (Note 2):				
Payments to Vendors for \$15,000 or Less	(1,736)			
Payments for Prepaid Fuel	(58,574)			
Transfers	(21,752)			
Custom House	(15,388)			
Affiliates	(12,916)			
US Tax/Trust Funds	(21,464)			
Aircraft Lessors	(25,775)			
	<u>\$ 77,539</u>	\$77,539	\$77,539	\$77,539
Defenses (Note 3):				
Estimated New Value Percentages		75.00%	60.00%	50.00%
Estimated New Value		58,154	46,523	38,770
Gross Payments Net of New Value		19,385	31,016	38,770
Potential Cash Collection Percentages		33.00%	40.00%	50.00%
Potential Cash Collections		6,397	12,406	19,385
Estimated Costs (Note 4):				
Attorneys' Fees and Expenses		1,279	2,481	3,877
Accountants Fees and Expenses		768	1,489	2,326
Management Fees and Expenses		320	620	969
Total Costs		2,367	4,590	7,172
Net Available Cash (Note 5)		\$ 4,030	\$ 7,816	\$12,212

THE ABOVE ANALYSIS AND THE CORRESPONDING EXPLANATION ARE BASED ON CERTAIN ASSUMPTIONS AND ESTIMATES AND MAY NOT ACCURATELY REFLECT ACTUAL EVENTS.

The above analysis indicates that after all defenses, estimates, and costs and expenses incurred in obtaining the Net Preference Recoveries are considered, Net Preference Recoveries are estimated to be between approximately \$4 and 12 million.

Note 1: The analysis begins with the gross potential preference payments made within ninety (90) days prior to the Petition Date (the “Potential Preference Payments”) as reflected in Schedule 3(b) of the Debtor’s Statement of Financial Affairs. From this starting point of approximately \$235 million, certain adjustments and deductions totaling approximately \$160 million are made. These adjustments are described in Note 2 below.

Note 2: The Debtor estimates that approximately \$2 million in Potential Preference Payments were made to vendors who received \$15,000 or less. The Debtor estimates that the cost of recovering such payments would be greater than the actual recovery. Therefore, Potential Preference Payments of \$15,000 or less are not considered in the analysis. In addition, the Debtor estimates that approximately \$58 million of the payments were prepayments and therefore, not on account of an antecedent debt. Recovery of these payments is not considered in the analysis. In addition, approximately \$22 million in intra-bank transfers made from one Debtor account to another is not considered, because these are not payments to a creditor. Payments to the U.S. Custom House and for U.S. taxes and trust funds are also not included in the analysis because such obligations are likely priority claims and would have to be paid under any chapter 11 plan. Recovery of approximately \$13 million of Potential Preference Payments made to the Affiliates is also deducted from the above analysis, because such a recovery would only benefit the Lenders as the Lenders have a lien on Affiliate Preference Actions. Finally, recovery of lease payments made to lessors of the Debtor’s aircraft is not considered in the analysis because monthly lease payments made within the grace period are not on account of an antecedent debt. In total, the Debtor has reduced its estimate of total recoveries by approximately \$160 million to account for the adjustments noted above.

Note 3: The Debtor estimates that of the remaining Potential Preference Payments, between approximately \$6 million and \$20 million will be recovered, because of certain defenses that may be asserted and sustained. Based upon the Debtor’s analysis, between 50% and 75% of the remaining \$77 million may not be recovered because such payments may have been made in exchange for new value to the Debtor’s estate. The analysis estimates that the new value defense should approximate \$40 to \$60 million in Potential Preference Payments. In addition to the new value defense, payments made in the ordinary course of the Debtor’s business are also not subject to recovery as preferential payments. After taking such defenses into account, the Debtor estimates that there is a remaining potential recovery of between approximately \$6 million and \$20 million.

Note 4: The Debtor estimates that there will be costs and expenses of pursuing the Preference Actions. These costs may include professional fees and expenses for attorneys and accountants, as well as management fees and expenses. The Debtor’s estimate of these costs and expenses are based on a percentage of the total amount of recovery.

Note 5: After taking the costs of recovery into consideration, the Debtor estimates that the Preference Actions could yield between approximately \$4 million and \$12 million of net

cash.

Creditors should understand that legal rights, claims and Preference Actions the Debtor may have against them, if any exist, are retained under the Plan for prosecution by the Unsecured Creditor Trustee for the benefit of the Unsecured Creditors Trust as more fully discussed in Article XI herein. As such, Creditors are cautioned not to rely on (i) the absence of the listing of any legal right, claim or Preference Action against a particular Creditor in the Disclosure Statement, Plan, Schedules of Assets and Liabilities, or Statement of Financial Affairs; or (ii) the absence of litigation or demand prior to the Effective Date as any indication that the Debtor, the Unsecured Creditor Trustee, or the Plan Trustee do not possess or do not intend to prosecute a particular Preference Action or Right of Action if a particular Creditor votes to accept the Plan. It is the expressed intention of the Plan to preserve Preference Actions and Rights of Action whether now known or unknown.

ARTICLE VII. POST-BANKRUPTCY CASE ADMINISTRATION

A. First Day Motions

On or shortly after the Petition Date, the Debtor filed a number of motions to administer the Bankruptcy Case in a timely and efficient manner. Pursuant to those motions, the Bankruptcy Court entered orders that, among other things, granted the Debtor the authority to:

- serve notice of the commencement of the case and of the meeting of creditors;
- establish procedures for payment of professionals;
- employ professionals in the ordinary course of business;
- establish notice procedures and a Master Service List;
- establish service of pleadings by electronic mail;
- establish regularly scheduled omnibus hearings;
- pay to the relevant taxing authorities and other governmental entities certain trust fund taxes;
- pay taxes withheld from employee salaries and to pay to the plan administrator all 401(k) payments made by employees;
- extend the period during which utility companies may not alter, refuse, or discontinue services to the Debtor;
- implement a retention and severance program for employees vital to the operations and the wind-down of the Debtor's business operations, and authority to pay such employees;

- pay prepetition accrued wages, salaries, medical benefits, and reimbursable employee expenses;
- continue use of cash management system;
- authorizing the use of cash collateral;
- extend the time within which the Debtor must file Schedules of Assets and Liabilities and Statement of Financial Affairs; and
- reject unexpired leases of the leases relating to the Aircraft and Spare Engines pursuant to 11 U.S.C. § 365.

B. Meeting of Creditors

The meeting of creditors required under section 341 of the Bankruptcy Code was held on May 30, 2008 and concluded on July 28, 2008.

C. Official Committee of Unsecured Creditors

On April 16, 2008 the United States Trustee appointed an official committee of unsecured creditors (defined as the “Committee”) in the Bankruptcy Case. The Committee is composed of the following parties:⁶

Goodrich Corporation
4 Coliseum Center
2730 W. Tyvola Rd.
Charlotte, NC 28217-4578

Servisair USA Inc.
151 N. Point Drive
Houston, TX 77060

Air Line Pilots Association
5333 S. Laramie Avenue, Suite 119
Chicago, IL 60638

Association of Flight Attendants-
CWA, AFL-CIO
620 Liberty Court
Bourbonnais, IL 60914

⁶ Wilmington Trust Company was initially a member of the Committee but subsequently resigned. Accordingly, on May 29, 2008, the United States Trustee filed a notice with the Bankruptcy Court removing Wilmington Trust Company from the Committee. The United States Trustee did not appoint another creditor to replace Wilmington Trust Company on the Committee.

D. Schedules of Assets and Liabilities and Statement of Financial Affairs

The Debtor filed its Schedules of Assets and Liabilities and Statement of Financial Affairs on May 28, 2008. The Debtor filed amendments to certain of its Schedules of Assets and Liabilities and Statement of Financial Affairs on December 10, 2008.

E. Agreement Regarding Use of Cash Collateral

Obtaining use of cash collateral in this case was critical to the Debtor's efforts in undertaking an orderly wind-down of its business operations, paying certain employee priority claims and progressing towards the filing and implementation of a chapter 11 plan. ATA developed and secured the use of cash collateral through negotiations with numerous constituencies and objecting parties to reach agreement on interim and final cash collateral orders. Moreover, the Debtor negotiated the use of cash collateral to pay certain employee benefit claims such as those arising under the Consolidated Omnibus Budget Reconciliation Act (COBRA), prepetition medical claims and pilot credit bank claims. The payment and provision for future payment of these claims is approximately \$10 million. These efforts resulted in an unusual benefit to employees by satisfying prepetition employee wage claims along with a portion of their priority claims.

F. Asset Disposition and Recovery

On the Petition Date, the Debtor's principal assets included a fleet of thirty-three (33) aircraft (together with their engines), miscellaneous spare engines, and related parts and equipment, including rotables. As part of the first day relief requests in the Bankruptcy Case, the Debtor obtained authority to reject leases related to twenty-eight (28) of the aircraft and six spare engines. The Debtor completed the return of the rejected aircraft and engines (which had an aggregate value approaching a \$1 billion) in less than forty-five (45) days after the bankruptcy filing.

The Debtor's post-bankruptcy efforts include identifying, analyzing and recovering assets, including spare parts, tooling, catering equipment and cash collateral. These efforts require coordinating the return of numerous assets from both domestic and foreign locations.

The Debtor has sold and continues to sell its assets via private sale and at auction. The Debtor has also sold and abandoned certain de minimis property.

More specifically, the Debtor sought and obtained Bankruptcy Court approval of a process by which the Debtor could sell and/or abandon certain de minimis personal property. The Debtor filed fourteen (14) notices of abandonment for property that had no material realizable value. In addition, the Debtor filed fourteen (14) notices of sale of de minimis personal property. In addition to de minimis sales, the Debtor filed two motions to sell catering equipment and ground service equipment, subject to higher and better offers.

The majority of the Debtor's office equipment and aviation spare parts inventory has been sold at auction. The Debtor filed applications to engage two separate auctioneers: Pyramid

Auction Services, Inc. d/b/a Key Auctioneers (“Key”) and Starman Bros. Auctions Inc. (“Starman”). Key was engaged to sell vehicles, office furnishings, computers, telephone and IT equipment and other similar miscellaneous assets. Key has held a total of three (3) auctions in Indianapolis and one in Chicago. In addition, the Debtor contemplates conducting one additional Key auction. The net sale proceeds derived from the Key auctions are set forth below.

Starman was engaged to sell the Debtor’s aviation spare parts inventory and related tooling and equipment. Starman has held one auction in each of Hawaii, Texas, and Indianapolis. In addition, the Debtor contemplates conducting one additional Starman auction. The net sale proceeds derived from the Starman auctions are set forth below.

The Debtor further negotiated agreements for the sale of its fuel inventory, which is stored in various locations, including LaGuardia Airport, Indianapolis International, Ronald Reagan Washington National Airport, Keahole-Kona International Airport, Hilo International Airport, Lihue Airport, Honolulu, Fort Meyers, and Dallas/Ft. Worth International Airport. The Debtor has a similar sale pending at Baltimore-Washington International Airport. In addition, the Debtor is continuing to analyze and recover fuel prepayments and credits from fuel vendors. The Debtor estimates that it will be able to recover in excess of \$2.5 million stemming from such prepayments.

The Debtor also has substantially completed the sale of certain L-1011 aircraft, engines, and related parts and equipment for the purchase price of \$2.5 million. Specifically, the Debtor entered into a letter of intent with a third party for the sale of two L-1011 airframes and associated engines, four (4) spare engines, and certain related spare parts. The Debtor believes that the purchase price for the assets is more than would have been realized had the assets been sold at a public auction.

A summary of the Debtor’s asset dispositions and recoveries thereon is set forth in the following chart:

Description of Sale	Total Number	Approximate Sale Proceeds
De Minimus Sale/Abandonment	14	\$125,000
Catering Equipments	1	150,000
Ground Service Equipment	1	232,000
Key Auctions	4	483,000
Starman Auctions	3	16,000,000
Fuel Inventory	numerous	4,200,000
Aircraft and Related Parts	1	2,500,000
Total		<u>\$23,690,000</u>

On November 21, 2008, the Bankruptcy Court entered an order approving the Debtor's Motion under Bankruptcy Code Sections 105 and 363 to Establish Solicitation and Bid Procedures for the Sale of Certain L1011 Aircraft, Free and Clear of Liens, Claims, Interests, and Encumbrances (the "L-1011 Motion"), seeking Bankruptcy Court approval of solicitation and bid procedures for the sale of the Debtor's three (3) remaining L-1011 aircraft. At the time of the filing of this Disclosure Statement, the Debtor has received expressions of interest from multiple parties regarding an acquisition of the L-1011 aircraft, but no party has submitted a letter of intent or other written proposal for such acquisition. The deadline for submitting proposals for the acquisition of the L1011 aircraft is December 12, 2008.

On November 21, 2008, the Debtor filed its Motion for Entry of an Order Authorizing the Debtor to Sell Domain Names Free and Clear of Liens and Encumbrances Pursuant to 11 U.S.C. § 363 and Fed. R. Bankr. P. 2002(c) and 6004 and Pay the Costs and Expenses of Sale, seeking Bankruptcy Court approval to sell all of its domain names through an online auction and pay all costs and expenses incurred as a result of such sales. The Debtor estimates that this sale will result in net proceeds of approximately \$100,000.

As a result of the above asset dispositions, as of the date of filing this Disclosure Statement, ATA has collected approximately \$23 million for the benefit of the bankruptcy estate.

G. Sale of Business

On December 2, 2008, the Bankruptcy Court entered an order approving the Debtor's Emergency Motion for Order (I) Approving the Debtor's Selection of Southwest Airlines Co. as the Party Submitting the Highest and Best Offer for the Acquisition of the Debtor's Business; (II) Approving Southwest Airlines Co.'s Bid Proposal, Including the Bid Protections Therein; and (III) Authorizing the Debtor to Enter into a Lease Agreement Regarding Certain Slots at LaGuardia Airport (the "Sale Motion"), which order approves the Sale of the Debtor's Business (as defined below) to Southwest (also defined as the "Buyer").

1. The Business

At the time of the Sale Motion, the Debtor continued to possess certain assets and authorities not otherwise sold pursuant to an asset sale motion or other auction, including: a number of executory contracts and unexpired leases; certain intellectual property, including tradenames/trademarks and copyrights; goodwill; manuals, logs, and records related to its operating assets and authorities; authorizations that allow it to operate as a commercial airline; computer databases and software; certain airport operating authorities;⁷ and other miscellaneous tangible and intangible assets (collectively, the "Business").

⁷ Among the principal assets comprising the Business are the Debtor's fourteen (14) "operating authorizations" at LaGuardia Airport in New York (the "LaGuardia Slots"). "Operating authorizations" (commonly known as "slots") are authorities assigned by the Federal Aviation Administration ("FAA"), or exemptions to such authorizations, permitting a carrier to conduct scheduled arrival or departure operations during specified time intervals. The LaGuardia Slots are subject to various rules and regulations established by the FAA generally designed to manage the traffic congestion at LaGuardia Airport. The LaGuardia Slots are currently governed under an FAA order titled Operating Limitations at New York LaGuardia Airport (71 FR 77854). The Debtor currently holds slots at LaGuardia Airport and Ronald Reagan Washington National Airport in Washington, D.C. The Debtor

2. The Marketing Efforts

In May 2008, the FAA approached the Debtor concerning the Debtor's intentions with respect to continuing or restarting its business operations, and indicated during those discussions that it would only recognize the continuation of the operating authorities through a sale of the Business.

Subsequent to filing this Bankruptcy Case, the Debtor began receiving expressions of interest from various parties regarding an acquisition of the Debtor's business and certain operating authorities. In all, thirteen (13) parties (or their agents) contacted the Debtor inquiring about a potential acquisition of the business and related authorizations. The Debtor ultimately identified several parties with a legitimate interest in purchasing the company, and discussed such a sale with various constituents, including the FAA.

On October 17, 2008, the Bankruptcy Court entered an order establishing various solicitation and bid procedures for the acquisition of the Business, including rules concerning the form and content of the bid proposals, a deadline for submitting bid proposals, the requirement of a good faith deposit, rules concerning due diligence efforts, and the scheduling of a status conference to discuss the results of the bid procedures.

3. The Proposals

As a result of the bid procedures, the Debtor received bid proposals for the acquisition of the Business from three (3) parties by the bid deadline, including Southwest. One of the bid proposals was subsequently determined to be non-compliant with the bid procedures. On November 8, 2008, one of the two (2) remaining bidders withdrew its proposal and confirmed that it was not willing to participate in the auction for the acquisition of the Business. The withdrawal left Southwest as the sole remaining bidder for the Business.

The bid proposal negotiated between the Debtor and Southwest is memorialized in a letter of intent dated November 18, 2008 (defined as the "Buyer LOI"). The Buyer LOI contemplates the sale of the Business through a stock transaction that will be consummated pursuant to the Plan.

4. The Terms

The essential terms of the Southwest Proposal include the following:

(a) The Purchase

Southwest will purchase one hundred percent (100%) of the New Equity Interest issued by the Reorganized Debtor under the Plan in exchange for \$7.5 million to be paid at the Plan closing. Southwest will become the owner of the Reorganized Debtor. The sale may also include certain Executory Contracts that the Reorganized Debtor will assume pursuant to the Schedule of Assumed Contracts.

leases 12 of the slots at LaGuardia Airport and two of the slots at Ronald Reagan Airport to AirTran Airways, Inc. pursuant to separate lease agreements.

(b) Other Essential Terms

The Buyer LOI contains various deadlines for the occurrence of certain events, including entry of an order approving the Sale Motion; the completion of definitive documents and the filing of the Plan and Disclosure Statement; entry of the Disclosure Statement Approval Order for solicitation of votes on the Plan; and entry of the Confirmation Order.

The Buyer LOI also includes certain bid protections. At the closing of any sale of the New Equity Interest or equivalent transaction, including without limitation, any sale of substantially all of the Retained Assets to a party other than Southwest, the Debtor shall reimburse Southwest for its reasonable and necessary legal fees, expenses and costs incurred in connection with the preparation of the Buyer LOI, preparation for the auction and pursuit of the sale transaction; provided, such reimbursement shall not exceed \$250,000. Additionally, upon the closing of an alternative transaction, the Debtor shall pay Southwest a fee in an amount equal to 5% of the proceeds of the alternative transaction (commonly referred to as a “Break-Up Fee”).

H. Professionals

1. Professionals Employed by the Debtor

Pursuant to orders entered by the Bankruptcy Court, the Debtor has retained certain Professionals to represent the Debtor in the Bankruptcy Case. In particular, the Debtor retained Haynes and Boone, LLP and Baker & Daniels, LLP to serve as general bankruptcy counsel.

On April 4, 2008, the Bankruptcy Court entered an order approving the Debtor’s application to retain BMC Group, Inc. (“BMC”) as its claims agent. Subsequently, in addition to serving as the Debtor’s claims agent, the Debtor sought and obtained the Bankruptcy Court’s approval to expand BMC’s services to include (i) serving as the Debtor’s noticing agent and (ii) to assist the Debtor in its analyses of Preference Actions.

The Debtor has also sought and obtained Bankruptcy Court approval to employ and retain (i) Hoover Hull LLP as special litigation co-counsel in connection with the FedEx Litigation; (ii) Paradigm Tax Group, LLC as property tax consultant to the Debtor; (iii) Ryan, Inc. as special fuel excise tax consultant to the Debtor; (iv) Huron Consulting Services LLC as review professionals to assist the Debtor in the review and classification of documents in connection with the FedEx Litigation; and (v) Mesirow Financial Consulting, LLC as financial consultant for the Debtor in connection with the FedEx Litigation. With respect to Ryan, Inc., the Bankruptcy Court has approved a contingency fee arrangement between the Debtor and Ryan, Inc. whereby ATA will pay Ryan, Inc. 40% of the first \$1,000,000 of cash tax refunds received by ATA , and 35% of the cash tax refunds that exceed the amount of \$1,000,000, including interest and penalties related thereto.

2. Professionals Employed by the Committee

The Committee, pursuant to orders entered by the Bankruptcy Court, retained (i) the law firm of Otterbourg, Steindler, Houston & Rosen, P.C. as its general bankruptcy counsel; (ii) FTI

Consulting, Inc. as financial advisors to the Committee; and (iii) the law firm of Hostetler & Kowalik, P.C. as local counsel to the Committee.

I. Rejection of Executory Contracts

After analyzing its fleet schedules and aircraft fleet, operating costs, relevant business goals and objectives, as well as available financing sources and business combination possibilities, the Debtor determined that it would cease business operations, and therefore it no longer required the use of its leased aircraft (together with the corresponding engines, collectively, the “Rejected Aircraft”) and certain of its leased spare engines (collectively, the “Spare Engines”). On April 8, 2008, the Bankruptcy Court approved the Debtor’s motion to reject the leases relating to the Rejected Aircraft and Spare Engines under Bankruptcy Code section 365 effective of the Petition Date.

The Debtor was also party to various unexpired leases and executory contracts related to its business operations other than the Rejected Aircraft and Spare Engine contracts. Because the Debtor ceased its scheduled service on June 3, 2008, the Bankruptcy Court entered an order approving the Debtor’s motion to reject numerous other executory contracts and unexpired leases. As a part of this order, and to reduce Administrative Claims, the Debtor obtained Bankruptcy Court approval to reject multiple airport facility leases and related contracts.

On December 22, 2004, the Debtor entered into a codeshare agreement with Southwest, which was subsequently amended and restated (the “Southwest Contract”). The Southwest Contract increased booking and frequent flyer opportunities for ATA’s customers. As soon as the Debtor shut down its operations, there was no longer a need for the Southwest Contracts, and on August 15, 2008, the Bankruptcy Court approved the Debtor’s motion to reject the Southwest Contract.

Finally, the Debtor has filed a motion to reject all or substantially all of its remaining executory contracts and unexpired leases. Such motion remains pending in the Bankruptcy Court.

ARTICLE VIII. THE GLOBAL SETTLEMENT

A. Introduction

The Global Settlement is a settlement and compromise by and among the Debtor, the Lenders, the Administrative Agent, the Affiliates, the Unions, and Batman regarding the settlement and compromise of Claims asserted against the Debtor and other parties, the terms of which are described herein and reflected in the Plan. The terms of the Global Settlement are set forth in the ATA Labor Settlement Agreement (as defined below), and the Plan Term Sheet (as defined below). The Plan constitutes a motion to compromise controversy under Bankruptcy Rule 9019 and seeks Bankruptcy Court approval of the Global Settlement as it has been implemented into the Plan.

B. ATA Labor Settlement

Subsequent to Debtor's cessation of operations, ALPA, AFA, IAM, and TWU, on behalf of their represented employees and Batman on behalf of himself and all other similarly situated employees, filed the WARN Adversaries. The WARN Adversaries were initiated by ALPA, AFA, IAM, TWU, and Batman and sought recovery of damages equal in amount to 60 days' pay and other benefits by reason of the Debtor's alleged violation of the WARN Act.

On May 7, 2008, GAL and ATA filed their Verified Complaint for Injunctive and Declaratory Relief against ALPA in the United States District Court for the Eastern District of New York in civil action no. 08-CV-1845 (JG)(RER), seeking a declaration that certain labor grievances asserted by ALPA were not arbitrable disputes under the ALPA CBA. ALPA has appealed the judgment rendered by the District Court in favor of GAL and ATA in the Declaratory Action to the United States Court of Appeals for the Second Circuit. This litigation is referred to as the "Second Circuit Grievance Litigation."

On June 13, 2008, the Bankruptcy Court entered a Pre-Trial Order Relating to Adversary Proceedings Arising Under the WARN Act, ordering the parties to conduct a settlement conference on July 29, 2008, concerning the claims asserted in the WARN Adversaries. During the week preceding the settlement conference, ATA met separately with ALPA, AFA, IAM, TWU, and Batman to present proposals to settle all claims asserted against ATA in the WARN Adversaries as well as other employee claims arising under the CBAs and pursuant to the employee relationship. The meetings between ATA and ALPA, AFA, IAM, and TWU, and the proposals ATA made were undertaken pursuant to section 1113 of the Bankruptcy Code.

ATA, ALPA, AFA, IAM, TWU, and Batman met for the settlement conference on July 29, 2008 and met again on August 27 and 28, 2008 to negotiate and bargain over the settlement proposals made by ATA. Subsequently, on August 28, 2008, ATA, ALPA, AFA, IAM, TWU, and Batman entered into a settlement agreement in principle (the "ATA Labor Settlement Agreement") regarding bargaining pursuant to section 1113 of the Bankruptcy Code, the settlement of all claims and disputes among the parties and including the Employee Claims. The ATA Labor Settlement Agreement resolved all Claims arising under the WARN Adversaries, the Second Circuit Grievance Litigation as well as other Claims arising out of the CBAs and the employee relationship. The ATA Labor Settlement Agreement was conditioned upon implementation in a consensual chapter 11 plan with the support of the Lenders and the Committee. The ATA Labor Settlement Agreement includes an agreement among ALPA, AFA and GAL to provide a preferential hiring program for pilots and flight attendants of GAL subsidiaries.

On October 8, 2008, subsequent to the ATA Labor Settlement Agreement being executed, ATA and AMFA met to negotiate AMFA's joinder to the ATA Labor Settlement Agreement. On November 21, 2008, AMFA joined in the ATA Labor Settlement Agreement.

C. The Plan Term Sheet

Because the ATA Labor Settlement Agreement was conditioned upon implementing the settlement terms in a consensual chapter 11 plan, the additional support of the Lenders and the

Committee was required. To gain support from the Committee and the Lenders, the Debtor negotiated certain terms of a chapter 11 plan acceptable to each of the parties. In mid-October, 2008, the Debtor, the Lenders, and the Committee reached an agreement on the terms of a consensual chapter 11 plan incorporating the terms of the ATA Labor Settlement Agreement as well as other negotiated terms. This agreement was reflected in a term sheet outlining the essential terms of a consensual chapter 11 plan and incorporating the terms of the ATA Labor Settlement Agreement (the “Plan Term Sheet”).

One of the primary purposes of the Plan Term Sheet includes setting forth the treatment of Claims and Equity Interests under the Plan. The treatment of each Class of Claims and Equity Interests is fully described in Article X.D herein and in Article 3 of the Plan. Essentially, the Plan Term Sheet provides for the following treatment of Claims and Equity Interests under the Plan:

- Allowed Professional Compensation Claims will be paid in full.
- Subject to an aggregate limit of \$5.0 million, Allowed Administrative Claims, Allowed Secured Tax Claims, Allowed Priority Unsecured Tax Claims, and Allowed Priority Unsecured Non-Tax Claims will be paid consistent with the Bankruptcy Code requirements.
- Allowed Lender Claims will be satisfied by payment of proceeds from the liquidation of the Plan Trust Assets, and Cash constituting Plan Trust Assets except for certain funds and reserves necessary for the implementation of the Plan.
- Allowed Other Secured Claims will be satisfied through either (i) Cash on the Effective Date; (ii) conveyance of the collateral securing the Other Secured Claim back to the claimholder; or (iii) such other treatment that may be agreed to by the holder of such Claim and the Plan Trustee.
- Holders of Employee Claims shall receive an Allowed Priority Employee Claims that will entitle them to receive their Employee Pro Rata Share of: (i) \$4.0 million in Cash; (ii) half of the Net Preference Recoveries (as described in Article VI.C herein); and (iii) 7.5% of the Net FedEx Recoveries (as described in Article VI.B herein). Holders of Employee Claims shall also receive an Allowed General Unsecured Claim for the excess of their Employee Claim over the amount of their Allowed Priority Employee Claim. In the Global Settlement, the Debtor estimated total Employee Claims at \$28,967,000. Of this amount, the Debtor estimated Employee Priority Claims in the mid range of recovery to be approximately \$7,261,000 and the remainder of approximately \$21,706,000 will be treated as a General Unsecured Claim under the Plan.
- Holders of General Unsecured Claims will receive their Pro Rata Share of (i) \$2.5 million in Cash; (ii) half of the Net Preference Recoveries (as described in Article VI.C herein); and (iii) 7.5% of the Net FedEx Recoveries (as described in Article VI.B herein).

- Equity Interests will be cancelled and will not receive a Distribution under the Plan.

In addition to setting forth the treatment of Claims and Equity Interests, the Plan Term Sheet also provides that the WARN Adversaries, the Second Circuit Grievance Litigation, and the Appeal will be dismissed with prejudice upon the Effective Date. Further, the Plan Term Sheet provides that any CBA with any of the Unions shall be deemed extinguished, terminated and rejected as of the Confirmation Date.

As part of the Plan Term Sheet, the Lenders agreed to waive any rights they may have to receive a distribution under the Plan based upon a Deficiency Claim in excess of the Lender Recoveries they may have against the Debtor arising from the Debtor's guarantee of the obligations under the Term Loan Agreement. The Lenders further agreed to waive any rights they may have to the Preference Actions and the Net Preference Recoveries. Finally, the Lenders agreed to allow their Cash Collateral to be used to establish the Plan Trust Operating Reserve, the Labor Settlement Fund, the Unsecured Settlement Fund, the Priority Claim Fund, and the Professional Compensation Claim Fund in order to fund the payments and reserves required under the Plan.

The Committee, the Unions, and Batman also each agreed to certain additional terms of the Plan Term Sheet. Specifically, the Committee agreed to solicit support of the Plan from the holders of General Unsecured Claims. Further, the Committee, the Unions, and Batman agreed that they will have no input on the prosecution of the FedEx Litigation, as such prosecution will be fully determined by the Lenders.

The Plan Term Sheet also contains an agreement by the Affiliates to waive any distribution under the Plan on account of any Claim they may have against the Debtor, provided however, GAL shall be deemed to hold an Allowed Other Secured Claim under Bankruptcy Code section 506(a) in an amount equal to the amount of any insurance premium refund received by GAL that gives rise to a valid setoff right against Debtor. Such Allowed Other Secured Claim shall be satisfied by the retention of any Cash received by GAL giving rise to the valid setoff right.

The parties to the Plan Term Sheet also agreed upon certain releases of claims. First, the Unions and Batman will release the Debtor, the Affiliates and the Lenders from certain employment related claims. Second, the Debtor and the Lenders will release each other from all claims, however, this release will not affect any claims the Lenders may have against the Affiliates. Third, the Debtor and the Affiliates will release each other from all claims, except for certain claims of setoff. Fourth, the Debtor, the Lenders, the Affiliates and the Committee will release the Debtor's officers and directors solely in their capacities as officers and directors from all claims. The Plan Term Sheet also contains an exculpation that provides that the Debtor, the Debtor's professionals, the Lenders, the Affiliates and the Committee will have no liability to any holder of a Claim for any action taken or not taken in connection with the decision to file a bankruptcy petition on behalf of the Debtor, the shutdown of the Debtor's operations, the wind-down and operation of the Debtor during chapter 11, the administration of the Bankruptcy Case, the negotiation and implementation of the Plan, confirmation of the Plan, consummation of the Plan (including all Distributions thereunder), the administration of the Plan, and the property to

be distributed under the Plan. Finally, the Plan Term Sheet also provides that any Creditor who votes for the Plan or receives a Distribution under the Plan is deemed to have released the Lenders, the Administrative Agent, GAL and subsidiaries of GAL (but not including the Debtor) from all claims relating to the Debtor, the Bankruptcy Case, or ownership, management and operation of the Debtor; however, such release shall not operate as a release or waiver of any claim or cause of action related to or arising out of any guaranty made by GAL or its subsidiaries (other than the Debtor).

The parties to the Plan Term Sheet also agreed to the method for appointing the Plan Trustee and the Unsecured Creditor Trustee. Specifically and subject to approval by the Bankruptcy Court, the Plan Trustee will be selected by the Debtor and the Administrative Agent, and the Unsecured Creditor Trustee will be selected by the Committee, the Unions, and Batman.

The Debtor believes that the Global Settlement as it has been implemented into the Plan is in the best interest of Creditors because it eliminates enormous and expensive litigation and allows the Debtor to proceed towards the confirmation of a chapter 11 plan that is consensual among most of the Debtor's major Creditor constituencies. The terms of the Plan are the result of active arms' length negotiations among the Debtor, the Lenders, the Committee, the Unions, Batman, and the Affiliates, and the Debtor believes the Global Settlement and the Plan fairly resolves all of the significant claims and issues among the Debtor and these major Creditor constituencies.

D. Batman Class Certification and Opt Outs

As noted above, the Batman WARN Adversary was filed as a class action. On December 23, 2008, Batman and the Debtor filed their Joint Motion for Preliminary Approval of Class Action Settlement, seeking certification of a settlement class action and preliminary approval of the Global Settlement as it relates to the Batman plaintiffs. On January 12, 2009, the Bankruptcy Court certified the class and granted preliminary approval of the Global Settlement in the Batman WARN Adversary. The Court will consider final approval of the Global Settlement in the Batman WARN Adversary on February 13, 2009.

Under the Federal Rules of Civil Procedure governing class actions, the potential members of the Batman class had the right to opt out of the Global Settlement. The Plan Term Sheet provides that total Employee Claims asserted by Batman class members who opt out of the Global Settlement ("Opt Out Claims") cannot exceed \$75,000. The Bankruptcy Court established February 10, 2009, as the deadline to opt out of the Global Settlement. As of the deadline to opt out, Opt Out Claims totaled only \$_____. Accordingly, other than Bankruptcy Court approval and Plan confirmation, there are no other remaining conditions to the effectiveness of the Global Settlement with respect to Batman.

ARTICLE IX.
ESTIMATED DISTRIBUTIONS TO CREDITORS

A. Estimate of Administrative, Priority and General Unsecured Claims

The Debtor, in consultation with its advisors, has reviewed all Claims and undertaken a preliminary reconciliation of filed proofs of claim and scheduled Claims. As to Priority Unsecured Claims, the Debtor estimates that the ultimate allowed amount of such Claims will be reduced and generally will be consistent with the amounts scheduled by the Debtor.

1. Allowed Administrative Claims

Section 503(b)(9) of the Bankruptcy Code grants administrative priority for the value of any goods received by the debtor within twenty (20) days before the commencement of the case in which the goods have been sold to the debtor in the ordinary course of the debtor's business ("Reclamation Claims"). The Debtor estimates that there is approximately \$400,000 in Reclamation Claims. The Debtor further estimates that there are other Administrative Claims representing approximately \$400,000. In total, the Debtor estimates that Allowed Administrative Claims will be approximately \$800,000.

2. Allowed Priority Unsecured (Tax and Non-Tax) Claims

The Debtor estimates that the employer's portion of the employment taxes on the Distributions of the Labor Settlement Fund (\$4 million) to the Unions and Batman will be approximately \$400,000. Also taken into account in determining the amount of Allowed Priority Unsecured (Tax and Non-Tax) Claims are customer deposits. The Debtor estimates that customer deposits will be approximately \$1,000,000. The Debtor further estimates that Priority Unsecured Tax Claims will be Allowed in the approximate amount of \$2.8 million. Therefore, the Debtor estimates that the total amount of Allowed Priority Unsecured (Tax and Non-Tax) Claims will be approximately \$4.2 million.

3. Allowed General Unsecured Claims

The Debtor's estimate of General Unsecured Claims is described in the following chart:

Estimate of General Unsecured Claims (Dollars in Thousands)

	Estimates
Unsecured Claims From Schedules (Note 1):	
Schedule F	\$328,794
Schedule D	2,101
	<u>330,895</u>
Less Unsecured Claims to Affiliates (Note 2):	
Global Aero Logistics, Inc.	(180,995)
North American Airlines, Inc.	(979)
World Airways, Inc.	(8,391)
New ATA Acquisitions, Inc.	(81,587)
	<u>(271,952)</u>
Other (Note 3):	
Workers' Comp. in Excess of Letters of Credit	800
Landing Fees, Etc.	7,600
Employee Claims (approximate unsecured portion)	20,000
Other	6,400
	<u>34,800</u>
Estimated Rejection Claims (Note 4):	
Estimated Aircraft Lease Rejection Claims	973,000
Mitigation (FMV of Aircraft)	(672,000)
Other Estimated Rejection Claims	25,257
	<u>326,257</u>
Total:	<u>\$ 420,000</u>

The Debtor's total estimate of General Unsecured Claims is approximately \$420 million. This estimate does not include the Lender Deficiency Claim which the Lenders have agreed to waive as part of the Global Settlement.

Note 1: In estimating the General Unsecured Claims, the Debtor took into account approximately \$331 million in scheduled Unsecured Claims. In addition, the Debtor also accounted for approximately \$2.1 million in Deficiency Claims from Other Secured Claims.

Note 2: The Debtor deducted approximately \$272 million from the \$331million estimate because the Affiliates have agreed as part of the Global Settlement to waive the Affiliate Claims.

Note 3: The Debtor estimates that the Unsecured portion of Employees Claims is approximately \$20 million and there will be approximately \$15 million in additional Allowed General Unsecured Claims.

Note 4: The Debtor estimates that Claims resulting from the Debtor's rejection of certain Executory Contracts net of mitigation could be approximately \$326 million.

B. Distribution Analysis

The Debtor has estimated the various recoveries to holders of Employee Claims and General Unsecured Claims in the Distribution Analysis attached to this Disclosure Statement as **Exhibit 2**.

The Debtor's Distribution Analysis provides a range of recoveries in three cases, a low case, a mid case and a high case. The primary difference in each of the recovery cases relates to the magnitude of Net Preference Recoveries which range from approximately \$4 million to \$12 million. The Distribution Analysis does not estimate any specific value for Net FedEx Recoveries at this time because the FedEx Litigation has just recently commenced, however, the Distribution Analysis does estimate a recovery percentage for each \$25 million in Net FedEx Recoveries that is ultimately obtained.

With respect to Employee Claims, the Plan provides that a portion of the Employee Claims will be treated as Priority Employee Claims to the extent of the \$4 million Labor Settlement Fund, 50% of Net Preference Recoveries and 7.5% of the Net FedEx Recoveries distributed to holders of Employee Claims. The remaining balance of the Employee Claims will be treated as General Unsecured Claims. The Debtor has estimated the total amount of Employee Claims to be approximately \$29 million. The Distribution Analysis estimates that holders of Employee Claims will receive anywhere from \$5.5 million to \$9.4 million on account of their Priority Employee Claims and from \$141,000 to \$469,000 on account of their General Unsecured Claims for a total recovery in the range of approximately 19.5% to 34.1% with 26.1% as the mid case for recoveries. As noted above, this estimated recovery does not include Net FedEx Recoveries, however as to Employee Claims, each \$25 million of Net FedEx Recoveries will increase the recovery by approximately 8.0% to 9.6%.

With respect to General Unsecured Claims, the Plan generally provides that holders of General Unsecured Claims will receive the Unsecured Distribution which is composed of the Unsecured Settlement Fund of \$2.5 million, 50% of Net Preference Recoveries and 7.5% of the Net FedEx Recoveries. The Debtor has estimated the total amount of Allowed General Unsecured Claims to range from approximately \$625 million to \$320 million with \$420 million as the mid case. The Distribution Analysis estimates that holders of Allowed General Unsecured Claims will receive a total recovery in the range of 0.6% to 2.4% with 1.3% as the mid case for recoveries. As noted above, this estimated recovery does not include Net FedEx Recoveries, however as to General Unsecured Claims, each \$25 million of Net FedEx Recoveries will increase the recovery by approximately 0.3% to 0.6%.

ARTICLE X. DESCRIPTION OF THE PLAN

A. Introduction

A summary of the principal provisions of the Plan and the treatment of Classes of Allowed Claims and Allowed Equity Interests is outlined below. The summary is entirely qualified by the Plan. This Disclosure Statement is only a summary of the terms of the Plan.

B. Designation of Claims and Equity Interests/Impairment

The following are the Classes of Claims and Equity Interests designated under the Plan. In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims, Professional Compensation Claims, and Priority Unsecured Tax Claims are not classified. No Distribution shall be made on account of any Claim that is not Allowed.

Classes of Claims against and Equity Interests in the Debtor are designated as follows:

Class - 1.1	Allowed Priority Employee Claims
Class - 1.2	Allowed Priority Unsecured Non-Tax Claims
Class - 2	Allowed Secured Tax Claims
Class - 3.1	Allowed Lender Secured Claims
Class - 3.2	Allowed Secured Letter of Credit Claims
Class - 3.3	Allowed Other Secured Claims
Class - 4	Allowed General Unsecured Claims
Class - 5	Allowed Subordinated Claims
Class - 6	Allowed Equity Interests

Claims in Class 1.2 are not Impaired under the Plan. Under Bankruptcy Code section 1126(f), holders of Claims in this Class are conclusively presumed to have accepted the Plan, and are therefore not entitled to vote to accept or reject the Plan. Claims in Classes 5 and 6 will receive no property or Distribution under the Plan. Pursuant to Bankruptcy Code section 1126(g), holders of Claims in these Classes are conclusively presumed to have rejected the Plan and are therefore not entitled to vote to accept or reject the Plan. All Claims and Equity Interests other than those in Class 1.2 are Impaired under the Plan. Except as otherwise specified in the Disclosure Statement Approval Order, holders of Claims and Equity Interests in those Classes are entitled to vote to accept or reject the Plan.

C. Allowance and Treatment of Unclassified Claims and Equity Interests

Administrative Claims are Claims for any cost or expense of the Bankruptcy Case allowable under Bankruptcy Code sections 503(b) and 507(a)(1). These expenses include all actual and necessary costs and expenses related to the preservation of the Estate or the operation of the Debtor's business, all claims for Cure Amounts arising from the assumption of Executory Contracts under Bankruptcy Code section 365, and all United States Trustee quarterly fees. All applications or other requests for payment of Administrative Claims arising on or before the Confirmation Date not previously filed must be filed with the Bankruptcy Court and served on the Debtor, the U. S. Trustee, JPMorgan and the Plan Trustee by the Administrative Claims Bar Date. Under the Plan, Allowed Administrative Claims arising through the Confirmation Date

shall be paid from the Priority Claim Fund on the later of (a) the Effective Date; or (b) ten (10) days after the date such Claim becomes Allowed.

Professional Compensation Claims are Claims for compensation and reimbursement of expenses by Professionals to the extent allowed under the Bankruptcy Code and Bankruptcy Rules. All applications or other requests for payment of Professional Compensation Claims must be filed with the Bankruptcy Court and served on the Debtor, the U. S. Trustee, JPMorgan and the Plan Trustee by the Professional Compensation Claims Bar Date. Allowed Professional Compensation Claims shall be paid within ten (10) days after the date such Claim becomes Allowed (a) first, from the balance of any retainers held by professionals until fully exhausted; and (b) second, from the Professional Compensation Claim Fund.

Priority Unsecured Tax Claims are Unsecured Claims of Governmental Units that are entitled to priority status under Bankruptcy Code section 507(a)(8). Allowed Priority Unsecured Tax Claims shall be satisfied in full at the election of the Plan Trustee by (i) the payment of Cash from the Priority Claim Fund to the holder of such Claim in the amount of its Allowed Priority Unsecured Tax Claim plus accrued interest at the normal corporate interest rate for tax underpayments determined under section 6621(a) of the Internal Revenue Code, as amended, or (ii) pursuant to an agreement reached with the holder of such Claim.

Until the Bankruptcy Case is closed, all fees incurred under 28 U.S.C. § 1930(a)(6) shall be paid in accordance with the Plan Trust Agreement and Unsecured Creditor Trust Agreement.

Except as otherwise provided for in the Plan, all requests for payment of Administrative Claims arising on or before the Confirmation Date not previously filed must be filed with the Bankruptcy Court within thirty (30) days after the Effective Date. All requests for payment of Professional Compensation Claims must be filed with the Bankruptcy Court within forty-five (45) days after the Effective Date. Any Administrative Claims or Professional Compensation Claims for which a request for payment is not filed by the deadline specified by the Plan shall be discharged and forever barred.

D. Allowance and Treatment of Classified Claims and Equity Interests

1. General

It is not possible to predict precisely the total amount of Claims in a particular Class or the Distributions that will be ultimately paid to holders of Claims in the different Classes because of the variables involved in the calculations (including the results of the claims objection process).

2. Allowance and Treatment of Allowed Priority Employee Claims (Class - 1.1)

This Class includes Employee Claims that are granted pursuant to the Global Settlement priority in payment under Bankruptcy Code section 507(a)(4) (Claims for wages, salaries, or commissions), section 507(a)(5) (Claims for contributions to employee pension plans), and section 503(b)(1)(A) (Administrative Claims), and specifically includes any Claims arising under the WARN Act. Allowed Priority Employee Claims are to be satisfied under the Plan as follows.

(a) Allowance and Treatment of ALPA Employee Claims.

Each ALPA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the ALPA Distribution. The ALPA Distribution consists of 50.83% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an ALPA Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(b) Allowance and Treatment of AFA of Employee Claims.

Each AFA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the AFA Distribution. The AFA Distribution consists of 25.68% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an AFA Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(c) Allowance and Treatment of AMFA Employee Claims.

Each AMFA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the AMFA Distribution. The AMFA Distribution consists of 3.06% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an AMFA Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(d) Allowance and Treatment of IAM Employee Claims.

Each IAM Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the IAM Distribution. The IAM Distribution consists of 0.25% of: (i) \$4 million in Cash; (ii) fifty

percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an IAM Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(e) Allowance and Treatment of TWU Employee Claims.

Each TWU Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the TWU Distribution. The TWU Distribution consists of 0.79% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an TWU Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

(f) Allowance and Treatment of Batman Employee Claims.

Each Batman Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the Batman Distribution. The Batman Distribution consists of 19.39% of: (i) \$4 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Additionally, to the extent that there is any excess of an Batman Employee's Claim above the Allowed Priority Employee Claim, such excess will be treated a General Unsecured Claim.

The Employee Claims listed on each Employee Claim Register and the Allowance of such Claims as provided for herein constitute a settlement and compromise with respect to Employee Claims asserted against the Debtor and to the extent of any inconsistency between individual proofs of claim filed by Employees and the amounts set forth on the Employee Claim Registers, the amounts set forth on the Employee Claim Registers shall control and all other amounts asserted in a proof of claim shall be deemed disallowed.

3. Allowance and Treatment of Allowed Priority Unsecured Non-Tax Claims (Class - 1.2)

Priority Unsecured Non-Tax Claims are defined under the Plan to include an Unsecured Claim, or that portion thereof, that is entitled to priority in payment under Bankruptcy Code sections 507(a)(1), (6), (7), (9), and (10). Allowed Priority Unsecured Non-Tax Claims shall be paid in full from the Priority Claim Fund on the later of (i) the Effective Date or (ii) ten (10) days after the Allowance Date in accordance with the Plan Trust Agreement.

4. Allowance and Treatment of Allowed Secured Tax Claims (Class - 2)

This Class is comprised of Secured Tax Claims against the Debtor for unpaid taxes for which a particular Governmental Unit taxing authority has a valid Lien against property of the Estate. If there is more than one Allowed Secured Tax Claim, then each Allowed Secured Tax Claim shall be classified in a separate subclass. To the extent permitted under Bankruptcy Code section 506(b), each Allowed Secured Tax Claim shall accrue interest at the applicable rate during the period from the Petition Date until the Confirmation Date. The Plan Trustee may (i) seek a determination regarding the allowability of any Secured Tax Claim under the Bankruptcy Code and the Bankruptcy Rules and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

Allowed Secured Tax Claims shall be satisfied in full at the election of the Plan Trustee by (i) the conveyance of any Plan Trust Assets serving as collateral to the holder thereof to the extent of the Allowed amount of such Secured Tax Claim, (ii) the payment of Cash from the Priority Claim Fund in the amount of its Allowed Secured Tax Claim, or (iii) an agreement between the Plan Trustee and the holder of an Allowed Secured Tax Claim. Any collateral remaining after satisfaction of such Allowed Secured Tax Claim shall remain a Plan Trust Asset, free and clear of any Liens.

Each holder of an Allowed Secured Tax Claim shall retain any Liens securing such Claim against any Plan Trust Assets until such Claim is satisfied in accordance with the Plan or until an earlier date agreed to by the holder of the Allowed Secured Tax Claim and the Plan Trustee.

Subject to the limitations contained in Bankruptcy Code sections 502(b)(3) and 507(a)(8), if the holder of an Allowed Secured Tax Claim has a Deficiency Claim, such Claim shall be treated (as agreed to by the holder of such Claim and the Debtor or, if no such agreement, as determined by the Bankruptcy Court) under the Plan as a Priority Unsecured Tax Claim.

5. Allowance and Treatment of Allowed Lender Secured Claims (Class - 3.1)

This Class is comprised of all Lender Secured Claims of the Lenders against ATA, secured or otherwise, based upon ATA's guarantee of the obligations of ATA Acquisition under the Term Loan Agreement. The Lender Secured Claims are allowed in the aggregate amount of the Lender Recoveries and shall be completely satisfied and treated in accordance with the Plan Trust Agreement as follows.

The Administrative Agent for the Lenders, shall be allocated the Class 3.1 Beneficial Interest in the Plan Trust and shall receive the Lender Distribution in accordance with the Plan Trust Agreement. The Lender Distribution will be a distribution of the Lender Recoveries and includes all proceeds from the liquidation of Plan Trust Assets and all Cash constituting Plan Trust Assets except for the (i) Priority Claim Fund, (ii) Plan Trust Operating Reserve, and (iii) Professional Compensation Claim Fund; provided however, in the case of the Plan Trust Operating Reserve, the Priority Claim Fund and the Professional Compensation Claim Fund, any balance in any of the foregoing that is unused shall be included in the Lender Recoveries.

Holders of Allowed Lender Claims shall not receive any Distribution on account of any Lender Deficiency Claim, including any amount by which the Allowed Lender Claims exceed the amount of the Lender Recoveries.

6. Allowance and Treatment of Allowed Secured Letter of Credit Claims (Class - 3.2)

This Class is comprised of the Secured Claims arising under collateralized letters of credit issued as security for the payment of a Claim against ATA. If there is more than one Allowed Secured Letter of Credit Claim, then each Allowed Secured Letter of Credit Claim shall be classified in a separate subclass. The Plan Trustee may (i) seek a determination under the Bankruptcy Code and the Bankruptcy Rules regarding the allowability of any Secured Letter of Credit Claim and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

Allowed Secured Letter of Credit Claims shall be satisfied in full at the election of the Plan Trustee by (i) the conveyance of any Plan Trust Assets serving as collateral to the holder thereof to the extent of the Allowed amount of such Secured Tax Claim, or (ii) an agreement between the Plan Trustee and the holder of an Allowed Secured Letter of Credit Claim. Any collateral remaining after satisfaction of such Allowed Letter of Credit Claim shall remain Plan Trust Assets, free and clear of any Liens.

Each holder of an Allowed Secured Letter of Credit Claim shall remain in possession of any Plan Trust Assets constituting its collateral securing such Claim and shall retain any Liens securing such Claim against Plan Trust Assets until such Claim is satisfied in accordance with the Plan or until an earlier date agreed to by the holder of the Allowed Secured Letter of Credit Claim and the Plan Trustee.

If the holder of an Allowed Secured Letter of Credit Claim has a Deficiency Claim, such Claim shall be treated (as agreed to by the holder of such Claim and the Debtor or, if no such agreement, as determined by the Bankruptcy Court) under the Plan as a General Unsecured Claim.

7. Allowance and Treatment of Allowed Other Secured Claims (Class - 3.3)

This Class is comprised of Secured Claims that are not the Lender Secured Claims or a Secured Tax Claim. Other Secured Claims shall not include any such Claims secured by liens/security interests that are avoidable, unperfected, subject to subordination, or otherwise

unenforceable. If there is more than one Allowed Other Secured Claim, then each Allowed Other Secured Claim shall be classified in a separate subclass. The Plan Trustee may (i) seek a determination under the Bankruptcy Code and the Bankruptcy Rules regarding the allowability of any Other Secured Claim and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

Allowed Other Secured Claims shall be satisfied in full at the election of the Plan Trustee by (i) the conveyance of any Plan Trust Assets serving as collateral to the holder thereof to the extent of the Allowed amount of such Other Secured Claim, (ii) the payment of Cash from the Priority Claim Fund in the amount of its Allowed Other Secured Claim, or (iii) an agreement between the Plan Trustee and the holder of an Allowed Other Secured Claim. Any collateral remaining after satisfaction of such Allowed Other Secured Claim shall remain a Plan Trust Asset, free and clear of any Liens. Notwithstanding the above treatment description, the Allowed Other Secured Claim held by GAL shall be satisfied by the retention of Cash received by GAL giving rise to the valid set off right underlying such Claim.

Each holder of an Allowed Other Secured Claim shall retain any Liens securing such Claim against Plan Trust Assets until such Claim is satisfied in accordance with the Plan or until an earlier date agreed to by the holder of the Allowed Other Secured Claim and the Plan Trustee.

If the holder of an Allowed Other Secured Claim has a Deficiency Claim, such Claim shall be treated (as agreed to by the holder of such Claim and the Debtor or, if no such agreement, as determined by the Bankruptcy Court) under the Plan as a General Unsecured Claim.

8. Allowance and Treatment of Allowed General Unsecured Claims (Class - 4)

This Class consists of Allowed Claims that are not: (i) Administrative Claims, (ii) Professional Compensation Claims, (iii) Priority Unsecured Tax Claims, (iv) Priority Unsecured Non-Tax Claims, (v) Priority Unsecured Employee Claims, (vi) Affiliate Claims, or (vii) Subordinated Claims. General Unsecured Claims shall not include any Deficiency Claim of the Lenders against ATA based upon ATA's guarantee of the obligations of ATA Acquisition under the Term Loan Agreement. General Unsecured Claims shall also not include any Affiliate Claims.

Class 4 Beneficial Interests in the Unsecured Creditor Trust shall be allocated to holders of Class 4 General Unsecured Claims in accordance with the Unsecured Creditor Trust Agreement. Holders of Class 4 Beneficial Interests shall receive their Pro Rata Share of the Unsecured Creditor Distribution. The Unsecured Creditor Distribution includes (i) \$2.5 million in Cash; (ii) fifty percent (50%) of the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery; and (iii) seven and one half percent (7.5%) of the net proceeds from the recovery of any claims against FedEx after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery.

9. Allowance and Treatment of Allowed Subordinated Claims (Class - 5)

This Class is composed of Claims (including Claims for punitive damages under applicable law) that are subject to subordination to General Unsecured Claims pursuant to (a) a contract or agreement, (b) a Final Order declaring that such Claim is subordinated in right of payment, or (c) any applicable provision of the Bankruptcy Code, including section 510 of the Bankruptcy Code, or other applicable law. The holders of Allowed Subordinated Claims shall not receive any Distributions or retain any property or interest in property on account of such Claims.

10. Allowance and Treatment of Allowed Equity Interests (Class - 6)

This Class consists of any Equity Interests in the Debtor arising from any capital stock or other equity securities, as defined in Bankruptcy Code section 101(16). On the Effective Date, the Equity Interests shall be canceled and extinguished, and the holders thereof shall not be entitled to receive any Distributions on account of such Equity Interests.

E. Resolution of Claims

The Unsecured Creditor Trustee on behalf of the Unsecured Creditor Trust shall have the right but not the obligation to examine and object to Class 4 General Unsecured Claims. The Unsecured Creditor Trustee shall be substituted for the Debtor as the objecting party with respect to objections to Class 4 General Unsecured Claims pending on the Confirmation Date and shall have the right to continue prosecuting existing objections to the allowance of Class 4 General Unsecured Claims. The Plan Trustee shall have the right, but not the obligation, to object to any Claims other than Class 4 General Unsecured Claims.

The Debtor, the Plan Trustee and the Unsecured Creditor Trustee may request estimation or liquidation of any Disputed Claim that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code; provided, however, that the Bankruptcy Court shall determine (i) whether such Disputed Claim is subject to estimation pursuant to section 502(c) of the Bankruptcy Code, and (ii) the timing and procedures for such estimation proceedings, if any.

The Unsecured Creditor Trustee may, pursuant to sections 553 and 558 of the Bankruptcy Code or applicable non-bankruptcy law, but shall not be required to, setoff against or recoup from any Claim on which payments are to be made pursuant to the Plan, any Claims or causes of action of any nature whatsoever the Unsecured Creditor Trustee may have against the holder of such Claim; provided, however, that neither the failure to effect such offset or recoupment nor the allowance of any Claim shall constitute a waiver or release by the Unsecured Creditor Trustee of any setoff or recoupment the Unsecured Creditor Trustee may have against the holder of such Claim, nor of any other Claim or cause of action.

Any Claim held by a Creditor who is the subject of an Avoidance Action filed by the Unsecured Creditor Trustee shall be deemed objected to automatically without compliance with the objection procedures and Claim Objection Deadline outline in Article 11 of the Plan. Pursuant to section 502(d) of the Bankruptcy Code, any Claim of a Creditor from which property is recoverable under sections 542, 543, 550 or 553 or that is the subject of a filed Avoidance

Action shall be deemed disallowed unless and until such Creditor has paid the amount or turned over such property for which such Creditor is liable under section 522(i), 542, 543, 550 or 553 of the Bankruptcy Code

The Plan Trustee may, pursuant to sections 553 and 558 of the Bankruptcy Code or applicable non-bankruptcy law, but shall not be required to, setoff against or recoup from any Claim on which payments are to be made pursuant to the Plan, any Claims or causes of action of any nature whatsoever the Plan Trustee may have against the holder of such Claim; provided, however, that neither the failure to effect such offset or recoupment nor the allowance of any Claim shall constitute a waiver or release by the Plan Trustee of any setoff or recoupment the Plan Trustee may have against the holder of such Claim, nor of any other Claim or cause of action.

Objections to Claims must be filed with the Bankruptcy Court, and a copy of the objection must be served on the subject Claimant(s) before the expiration of the Claim Objection Deadline (unless such period is further extended by subsequent orders of the Bankruptcy Court); otherwise such Claims shall be deemed Allowed in accordance with Bankruptcy Code section 502. The objection shall notify the Claimholder of the deadline for responding to such objection. Within thirty (30) days after service of an objection, the Claimholder whose Claim was objected to must file a written response to the objection with the Bankruptcy Court and serve a copy on the respective Plan Trustee or the Unsecured Creditor Trustee and the parties identified in section 14.2 of the Plan. Failure to file a written response within the 30-day time period shall constitute a waiver and release of that portion of the subject Claim that was subject to the objection, and shall cause the Bankruptcy Court to enter a default judgment against the non-responding Claimholder or granting the relief requested in the claim objection.

As of the Effective Date, all Affiliate Claims asserted against the Debtor shall be deemed released and waived pursuant to the Global Settlement; provided however, GAL shall be deemed to hold an Allowed Other Secured Claim under Bankruptcy Code section 506(a) in an amount equal to the amount of any insurance premium refund received by GAL that gives rise to a valid setoff right against Debtor. Such Allowed Other Secured Claim shall be satisfied by the retention of any Cash received by GAL giving rise to the valid setoff right. As of the Effective Date, any Lender Deficiency Claim against the Debtor shall be deemed released and waived pursuant to the Global Settlement.

F. Assumption and Rejection of Executory Contracts Under the Plan

On the Effective Date, all Executory Contracts set forth on the Schedule of Assumed Executory Contracts shall be deemed assumed and assigned to New ATA. All Executory Contracts not set forth on the Schedule of Assumed Executory Contracts are deemed rejected as of the Effective Date. Entry of the Confirmation Order shall constitute: (i) the approval, pursuant to section 365(a) of the Bankruptcy Code, of the assumption and/or assumption and assignment of the Executory Contracts assumed pursuant to the Plan or otherwise during the Case; and (ii) the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of the Executory Contracts rejected pursuant to the Plan or otherwise during the Case.

As of the Confirmation Date, all CBAs with any of the Unions shall be deemed terminated, extinguished and rejected under sections 365(a) and 1113(a) of the Bankruptcy Code and of no further force and effect. The Confirmation Order shall constitute approval of the stipulated rejection and termination of the CBAs and a finding that such rejection is in accordance with section 1113 of the Bankruptcy Code. No rejection damage Claim shall arise from the stipulated termination and rejection of any CBA.

The Plan also provides certain procedures governing the assertion of Cure Claims related to the assumption of executory contracts. To the extent a counter-party to an Executory Contracts disputes the Cure Amount identified in the Schedule of Assumed Executory Contracts with respect to the Executory Contract, such counter-party must file a Proof of Cure Claim in the Bankruptcy Case on or before the Cure Claim Bar Date and shall serve such Proof of Cure Claim on the Debtor, JPMorgan, the Committee and the Buyer. If a counterparty to an Executory Contract does not file a Proof of Cure Claim by the Cure Claim Bar Date, the proposed Cure Amount specified on the Schedule of Assumed Executory Contracts with respect to such party's Executory Contract shall be the Cure Amount for that Executory Contract. The Debtor and the Buyer shall have the right to examine any Proof of Cure Claim filed by any party, and shall have the right to object to and contest the Disputed Cure Amount asserted therein. Any objection to a Disputed Cure Amount must be filed with the Bankruptcy Court on or before the Cure Claim Objection Deadline and served on the party asserting such Disputed Cure Amount

Within ten (10) Business Days after the Effective Date, the Buyer shall: (1) pay, in cash, all Cure Amounts related to Executory Contracts listed on the Schedule of Assumed Executory Contracts, other than Disputed Cure Amounts, and, (2) for each Executory Contract listed on the Schedule of Assumed Executory Contracts subject to a Disputed Cure Amount, deposit in escrow funds in an amount equal to such Disputed Cure Amount pending final determination of the Cure Amount applicable to such Executory Contract.

Except as otherwise provided in the Plan, each Claim resulting from the rejection of an Executory Contract pursuant to the Plan shall be filed with the Bankruptcy Court no later than the Rejection Damage Claim Bar Date. Any Claim resulting from the rejection of an Executory Contract not filed by the applicable deadline shall be deemed waived and forever barred and shall not be entitled to any Distributions under the Plan. The Unsecured Creditor Trustee shall have the right, but not the obligation, to object to any Claim resulting from the rejection of an Executory Contract.

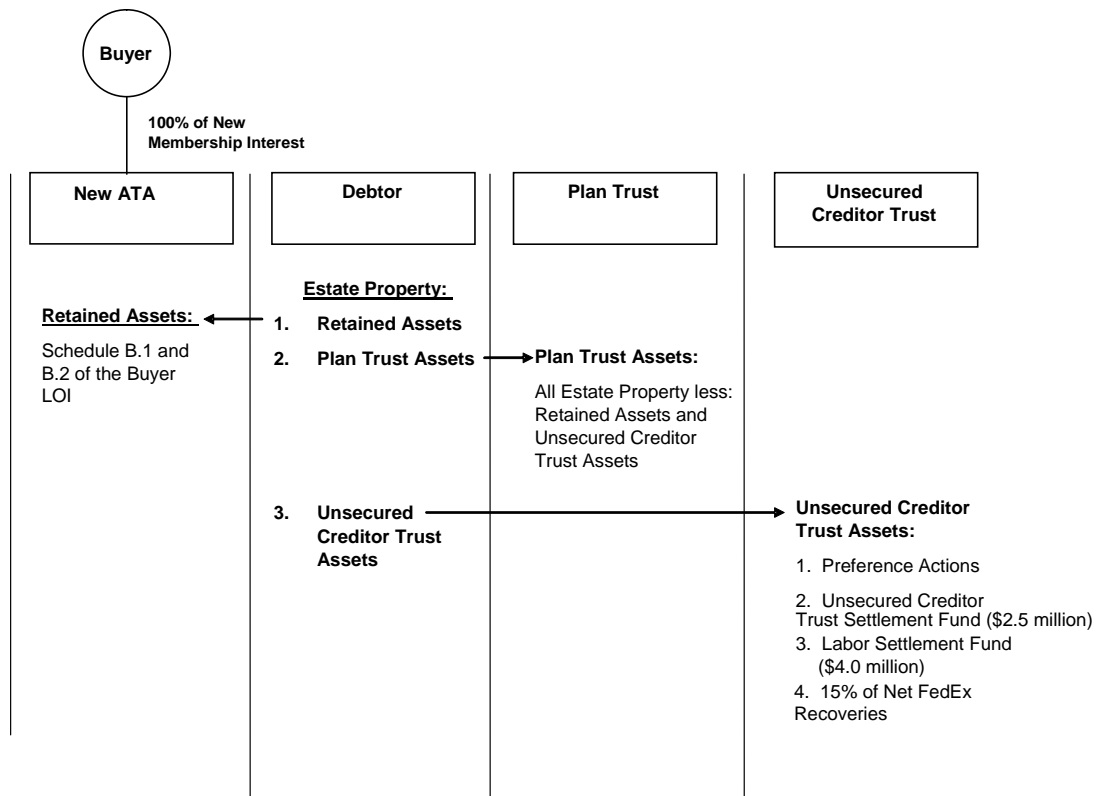
Any obligation of the Debtor to indemnify, reimburse, or limit the liability of any Person, including, but not limited to any officer or director of Debtor, or any agent, professional, financial advisor, or underwriter of any securities issued by Debtor, relating to any acts or omissions occurring before the Petition Date, whether arising pursuant to charter, by-laws, contract or applicable state law, shall be deemed to be, and shall be treated as, an Executory Contract and (i) shall be deemed to be rejected, canceled, and discharged pursuant to the Plan as of the Effective Date and (ii) any and all Claims resulting from such obligations are disallowed under section 502(e) of the Bankruptcy Code. Notwithstanding any of the foregoing, nothing contained in the Plan impacts, impairs or prejudices the rights of any Person covered by any applicable D&O Policy with respect to such policy or policies.

ARTICLE XI. **MEANS FOR EXECUTION AND IMPLEMENTATION OF THE PLAN**

A. Introduction

The Plan provides that Claims will be satisfied through the establishment of two separate trusts: (i) the Plan Trust; and (ii) the Unsecured Creditor Trust. The two trusts will each be managed by a trustee. Such trustee will be responsible for, among other things, the distribution of assets of the respective trust. The means for implementation of the Plan and the funding of the trusts with Estate Property is illustrated in the following chart:

Means for Implementation of the Plan



At the Closing under the Plan, the Debtor will transfer and convey the Plan Trust Assets to the Plan Trust. The Plan Trust Assets include all of the Estate Property less the (i) Retained Assets and (ii) Unsecured Creditor Trust Assets.

Further, at the Closing under the Plan, the Debtor will transfer and convey the Unsecured Creditor Trust Assets to the Unsecured Creditor Trust. The Unsecured Creditor Trust Assets include (i) Preference Actions, (ii) \$2.5 million in Cash (defined as the “Unsecured Creditor Settlement Fund”), (iii) \$4.0 million in Cash (defined as the “Labor Settlement Fund”), and (iv) fifteen percent (15%) of the Net FedEx Recoveries.

Finally, at the Closing under the Plan, the Retained Assets will be transferred to New ATA and New ATA will be owned by the Buyer. The Retained Assets include (i) those assets, rights and privileges identified on Schedule B.1 of the Buyer LOI and (ii) the Executory Contracts assumed by and assigned to New ATA and identified on Schedule B.2 of the Buyer LOI.

Distribution of the Plan Trust Assets and the Unsecured Creditor Trust Assets will be accomplished through operation of the Plan Trust and Unsecured Creditor Trust, respectively. The general purpose of each trust is to provide a mechanism for the disposition of the Plan Trust Assets and Unsecured Trust Assets, and to distribute the proceeds of such assets, net of all expenses, charges, liabilities, and obligations of the Plan Trust or Unsecured Creditor Trust, to the holders of Beneficial Interests and holders of certain Allowed Claims in accordance with the terms of the Plan. The Plan Trust and the Unsecured Creditor Trust will not conduct or engage in any trade or business activities, other than those associated with or related to the Plan Trust Assets and the Unsecured Creditor Trust Assets, respectively, and the distributions to the Beneficiaries. The Plan Trust and the Unsecured Creditor Trust shall terminate on the earlier of (i) the date that is five (5) years after the date such Trust is created; (ii) payment in full of all Claims to be paid from such trust, including applicable interest, and the completion of any Distributions; or (iii) the distribution of all assets.

B. The Plan Trust

The purposes of the Plan Trust include (i) the prosecution and recovery of Rights of Action; (ii) the liquidation of Plan Trust Assets into Cash; (iii) the payment of the Lender Recoveries from Available Cash; (iv) the payment of certain Claims from the Priority Claim Fund; and (v) the payment of Professional Compensation Claims from the Professional Compensation Claim Fund.

In summary, the powers and duties of the Plan Trustee include, but are not limited to, the following:

- marshaling, liquidating, and distributing the Plan Trust Assets in an expeditious and orderly manner;
- performing the functions and taking the actions provided for or permitted by the Plan Trust Agreement and in any other agreement executed by the Plan Trustee pursuant to the Plan;

- prosecuting, settling, or otherwise resolving the Rights of Action transferred and assigned to the Plan Trust under the Plan and to distribute the proceeds of any recoveries thereon; and
- reconciling, objecting to, or settling certain Claims, other than General Unsecured Claims, and other causes of action against the Debtor to determine the appropriate amount of Distributions to be made to the Beneficiaries and certain other creditors under the Plan Trust Agreement.

The Plan Trust shall be managed by the Plan Trustee subject to the terms and conditions of the Plan Trust Agreement. Legal title to all Plan Trust Assets shall be vested in the Plan Trustee, except as otherwise provided for in the Plan Trust Agreement. Subject to the terms and conditions of the Plan Trust Agreement, the Plan Trustee shall have control and authority over the Plan Trust Assets, including all Rights of Action transferred to the Plan Trust under the Plan.

THE UNITED STATES TRUSTEE IS NOT THE PLAN TRUSTEE. THE PLAN TRUSTEE IS A SEPARATE INDIVIDUAL APPROVED BY THE BANKRUPTCY COURT TO ADMINISTER THE PLAN TRUST FOR ITS BENEFICIARIES. ANY QUESTIONS CONCERNING THE PLAN TRUST OR ITS ADMINISTRATION SHOULD BE DIRECTED TO THE PLAN TRUSTEE AND NOT TO THE UNITED STATES TRUSTEE.

C. The Unsecured Creditor Trust

The purposes of the Unsecured Creditor Trust include (i) the prosecution and recovery of Preference Actions; (ii) the liquidation of Unsecured Creditor Trust Assets into Cash; (iii) the payment of Allowed Priority Employee Claims from the Cash in the Labor Settlement Account; and (iv) the payment of Allowed General Unsecured Claims from Available Cash in the Unsecured Creditor Account.

In summary, the powers and duties of the Unsecured Creditor Trustee include, but are not limited to, the following:

- marshaling, liquidating, and distributing the Unsecured Creditor Trust Assets in an expeditious and orderly manner;
- performing the functions and taking the actions provided for or permitted by the Unsecured Creditor Trust Agreement and in any other agreement executed by the Unsecured Creditor Trustee pursuant to the Plan;
- reconciling, objecting to, or settling all General Unsecured Claims;
- prosecuting, settling, or otherwise resolving the Preference Actions.

The Unsecured Creditor Trust shall be managed by the Unsecured Creditor Trustee subject to the terms and conditions of the Unsecured Creditor Trust Agreement. Legal title to all Unsecured Creditor Trust Assets shall be vested in the Unsecured Creditor Trustee, except as otherwise provided for in the Unsecured Creditor Trust Agreement. Subject to the terms and

conditions of the Unsecured Creditor Trust Agreement, the Unsecured Creditor Trustee shall have control and authority over the Unsecured Creditor Trust Assets, including the Preference Actions transferred to the Unsecured Creditor Trust under the Plan.

THE UNITED STATES TRUSTEE IS NOT THE UNSECURED CREDITOR TRUSTEE. THE UNSECURED CREDITOR TRUSTEE IS A SEPARATE INDIVIDUAL APPROVED BY THE BANKRUPTCY COURT TO ADMINISTER THE UNSECURED CREDITOR TRUST FOR ITS BENEFICIARIES. ANY QUESTIONS CONCERNING THE UNSECURED CREDITOR TRUST OR ITS ADMINISTRATION SHOULD BE DIRECTED TO THE UNSECURED CREDITOR TRUSTEE AND NOT TO THE UNITED STATES TRUSTEE.

On the Effective Date, the Oversight Committee shall be established to review the activities and performance of and advise the Unsecured Creditor Trustee as set forth in the Unsecured Creditor Trust Agreement. The Oversight Committee will consist of the members of the Committee and one representative designated by Batman. The Oversight Committee shall have the rights, duties and powers set forth in the Unsecured Creditor Trust, including:

- to approve any release or indemnity in favor of any third party granted or agreed to by the Unsecured Creditor Trustee;
- to authorize the Unsecured Creditor Trustee to commence any Preference Action or any objection to General Unsecured Claims or to object to any General Unsecured Claim in its own right;
- to approve the settlement of any Preference Action or objection to General Unsecured Claims and to approve any application by the Unsecured Creditor Trustee for an order in connection with any such settlement;
- to approve the allowance of any Disputed General Unsecured Claim;
- to approve the sale of any Unsecured Creditor Trust Assets by the Unsecured Creditor Trustee and to approve any application by the Unsecured Creditor Trustee for an order in connection with any such sale;
- to review all financial information relating to the Unsecured Creditor Trust, which shall be promptly provided by the Unsecured Creditor Trustee upon request by the Oversight Committee;
- to monitor Distributions to Beneficiaries; and
- to take such other actions as it deems necessary and appropriate with respect to the implementation of the Plan and this Unsecured Creditor Trust Agreement.

D. Tax Treatment of the Plan Trust and the Unsecured Creditor Trust

The Unsecured Creditor Trust established pursuant to the Plan is established for the purpose of satisfying claims by liquidating the Unsecured Creditor Trust Assets transferred to the trust and the trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the trusts. The purpose of the Unsecured Creditor Trust is to provide a mechanism for the liquidation of the Unsecured Creditor Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Unsecured Creditor Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Unsecured Creditor Trust other than those associated with or related to the liquidation of the Unsecured Creditor Trust Assets. It is intended that the Unsecured Creditor Trust be classified for federal income tax purposes as a “liquidating trust” within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties and Beneficiaries shall treat the transfers in trust described herein as transfers to the Beneficiaries for all purposes of the Internal Revenue Code of 1986, as amended (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties and Beneficiaries shall treat the transfers in trust as if all the transferred assets, including all the Unsecured Creditor Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Unsecured Creditor Trust. The Beneficiaries shall be treated for all purposes of the Internal Revenue Code of 1986, as amended, as the grantors of the Unsecured Creditor Trust and the owners of the Unsecured Creditor Trust. The Unsecured Creditor Trustee shall file returns for the Unsecured Creditor Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). All parties, including the Beneficiaries and the Unsecured Creditor Trustee shall value the Unsecured Creditor Trust Assets consistently and such valuations shall be used for all federal income tax purposes.

The Plan Trust established pursuant to the Plan is established for the purpose of satisfying claims by liquidating the Plan Trust Assets transferred to the trust and the trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the trusts. The purpose of the Plan Trust is to provide a mechanism for the liquidation of the Plan Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Plan Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Plan Trust other than those associated with or related to the liquidation of the Plan Trust Assets. It is intended that the Plan Trust be classified for federal income tax purposes as a “liquidating trust” within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties and Beneficiaries shall treat the transfers in trust described herein as transfers to the Beneficiaries for all purposes of the Internal Revenue Code of 1986, as amended (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties and Beneficiaries shall treat the transfers in trust as if all the transferred assets, including all the Plan Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Plan Trust. The Beneficiaries shall be treated for all purposes of the Internal Revenue Code of 1986, as amended, as the grantors of the Plan Trust and the owners of the Plan Trust. The Plan Trustee shall file returns for the Plan Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). All parties, including the Beneficiaries and the Plan Trustee shall value

the Plan Trust Assets consistently and such valuations shall be used for all federal income tax purposes.

E. Consummation of the Purchase Agreement and Issuance of new Equity Interest

On the Effective Date, the Debtor will form a limited liability company pursuant to the terms of the Purchase Agreement with the Buyer. This new limited liability company is referred to as New ATA under the Plan. Ownership of New ATA will be evidenced by the New Membership Interest. Immediately after forming New ATA, the Debtor will transfer the Retained Assets to New ATA so that New ATA holds the Retained Assets. Finally, on the Effective Date, the Debtor will convey and sell the New Membership Interest to Buyer in exchange for the purchase price under the Purchase Agreement. Buyer will pay the purchase to the Debtor as required by the Purchase Agreement, any Executory Contracts identified on the Schedule of Assumed Executory Contracts will be assumed and assigned to New ATA pursuant to the Plan and the other transactions contemplated by the Purchase Agreement will be consummated on the Effective Date. The purchase price paid by the Buyer to the Debtor will constitute a Plan Trust Asset and will be distributed to creditors as required by the Plan and Plan Trust Agreement.

On the Effective Date, the prior ownership interest in the Debtor (called the Equity Interest under the Plan) will be cancelled and holders of such Equity Interest will receive no Distribution under the Plan. In place of the canceled Equity Interest, the Debtor will issue the New Equity Interest to the Plan Trustee under the Plan. The Plan Trust will be the sole owner of the Debtor after the Effective Date and will hold the New Equity Interest for the benefit of the Beneficiaries of the Plan Trust.

In the event the Purchase Agreement is not consummated on the Effective Date, New ATA will not be formed and the Retained Assets will remain in the Debtor. In such case, the prior Equity Interest will still be canceled and the New Equity Interest will be issued to the Plan Trustee.

F. Selection of Plan Trustee and Unsecured Creditor Trustee

On or before the Voting Deadline, the Debtor and the Administrative Agent shall nominate a candidate to serve as Plan Trustee under the Plan Trust and shall file with the Bankruptcy Court a disclosure identifying and setting forth the terms of the fee arrangement with such candidate. At the Confirmation Hearing, the Court shall approve such candidate for Plan Trustee and the fee arrangement and such candidate shall thereafter serve as Plan Trustee upon execution of the Plan Trust Agreement at Closing.

On or before the Voting Deadline, the Committee, the Unions, and Batman shall jointly nominate a candidate to serve as Unsecured Creditor Trustee and shall file with the Bankruptcy Court a disclosure identifying and setting forth the terms of the fee arrangement with such candidate. In the event the nomination is not made by the Committee, the Unions and Batman by the Voting Deadline, then the Debtor may make such nomination independently. At the Confirmation Hearing, the Court shall approve such candidate for Unsecured Creditor Trustee

and the fee arrangement and such candidate shall thereafter serve as Unsecured Creditor Trustee on the Effective Date.

G. Beneficial Interests

The Plan Trustee or Unsecured Creditor Trustee shall issue Beneficial Interests to holders of Allowed Claims. The Beneficial Interests shall be uncertificated, but shall be represented by appropriate book entries in the Plan Trust or Unsecured Creditor Trust (whichever is appropriate) register. The Plan Trustee or the Unsecured Creditor Trustee may deem and treat the Beneficiary of record as the absolute owner of a Beneficial Interest for the purpose of receiving Distributions and for all other purposes whatsoever.

The Unsecured Creditor Trustee shall allocate, as of the Effective Date, (a) to Employees holding Class 1.1 Allowed Priority Employee Claims, a Class 1.1 Beneficial Interest in the Unsecured Creditor Trust equal in amount to the Allowed Priority Employee Claim; (b) to Employees holding Allowed Class 4 General Unsecured Claims, a Class 4 Beneficial Interest in the Unsecured Creditor Trust equal in amount to the Employee's Allowed General Unsecured Claim; and (c) to Creditors holding Allowed General Unsecured Claims, a Class 4 Beneficial Interest in the Unsecured Creditor Trust equal in amount to such Creditor's Allowed General Unsecured Claim.

The Plan Trustee shall allocate, as of the Effective Date, to the Administrative Agent, the Class 3.1 Beneficial Interest.

H. Distribution to Beneficiaries

Subject to establishing the funds and reserves required under the Plan and the terms and conditions of the Plan Trust Agreement and the Unsecured Creditor Trust Agreement, the Plan Trustee and the Unsecured Creditor Trustee shall make Distributions at least annually and at such time or times as each of the Plan Trustee and Unsecured Creditor Trustee believes there is sufficient Available Cash to warrant a Distribution.

I. The Closing

A Closing of the transactions required under the Plan shall take place on the Closing Date at the offices of Haynes and Boone, LLP, 1221 Avenue of the Americas, 26th Floor, New York, NY 10020, or at such other place identified in a notice provided to those parties listed in section 14.2 of the Plan. The Debtor may reschedule the Closing by making an announcement at the originally scheduled Closing of the new date for the Closing. A notice of the rescheduled Closing shall be filed with the Bankruptcy Court and served on the parties identified in section 14.2 of the Plan within two (2) days after the originally scheduled Closing. The transactions to occur at Closing include:

- execution of the Purchase Agreement, payment by the Buyer of the purchase price under the Purchase Agreement, and issuance of the New Equity Interest to the Buyer;
- execution of the Plan Trust Agreement and the Unsecured Creditor Trust Agreement;

- transfer of the Plan Trust Assets and Unsecured Creditor Trust Assets to the Plan Trust and the Unsecured Creditor Trust, respectively;
- establishment of a segregated, interest bearing account by the Plan Trustee, in which shall be deposited all Plan Trust Assets constituting Cash and Cash proceeds from Plan Trust Assets;
- establishment by the Unsecured Creditor Trustee of (i) a segregated interest bearing account call the Labor Settlement Account into which shall be deposited the Labor Settlement Fund and (ii) a segregated interest bearing account called the Unsecured Creditor Account into which shall be deposited the Unsecured Settlement Fund;
- establishment out of Plan Trust Assets by the Plan Trustee of the Priority Claims Fund, the Plan Trust Operating Reserve, and the Professional Compensation Claim Fund;
- establishment of the Oversight Committee;
- delivery by the Debtor of documents reasonably contemplated by the Plan;
- authorization provided to the Plan Trustee (or respective designee of the Debtor) to execute any documents after the Confirmation Date or at Closing, necessary to consummate the Plan;
- amendment, consistent with the Plan, of article of incorporation and bylaws; and
- surrender on the Effective Date to the Plan Trustee or the Unsecured Creditor Trustee, as applicable, of any Claimholders holding a certificate or instrument evidencing a Claim against the Debtor or Estate Property if such holder's Claim is treated under the Plan.

J. Section 1145 Determination

Confirmation of the Plan shall constitute a determination, in accordance with section 1145 of the Bankruptcy Code, that except with respect to an entity that is an underwriter as defined in section 1145(b) of the Bankruptcy Code, section 5 of the Securities Act of 1933 and any State or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, broker or dealer in, a security do not apply to the offer, sale, or issuance of any securities under the Plan of the New Equity Interest, the New Membership Interest, the Plan Trust Assets, the Unsecured Creditor Trust Assets, or the Beneficial Interests in exchange for Claims against, the Debtor.

K. Termination of the Committee

The appointment and operation of the Committee shall terminate on the Effective Date. The dissolution or termination of the Committee shall not prejudice the rights of any agents of the Committee (including their Professionals and Committee members) to pursue their separate Claims for compensation and reimbursement of expenses, including Professional Compensation Claims under Bankruptcy Code sections 330, 331, and/or 503(b)(3)(F). On the

Effective Date, the Oversight Committee shall be established to review the activities and performance of and advise the Unsecured Creditor Trustee as set forth in this Unsecured Creditor Trust Agreement.

L. Settlement and Compromise

Pursuant to section 1123(b)(3) of the Bankruptcy Code, the Plan incorporates a compromise and settlement, and (to the extent necessary) constitutes a motion under Bankruptcy Rule 9019 to approve the Global Settlement.

M. Discharge of the Debtor

Except as provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Equity Interests under the Plan are in exchange for and in complete satisfaction, discharge, and release of, all Claims against the Debtor or Estate Property (including the Retained Assets, the Plan Trust Assets and the Unsecured Creditor Trust Assets) and termination of all Equity Interests. Except as provided in the Plan or the Confirmation Order, on the Effective Date: (a) the Debtor, Reorganized Debtor and New ATA shall be discharged from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (i) a proof of claim based on such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (ii) a Claim based on such debt is Allowed under section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) all Equity Interests and other rights of Equity Interests in the Debtor shall be terminated, except for the New Equity Interest as expressly provided in the Plan. Except as otherwise provided in the Plan, the Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtor arising before the Effective Date. Pursuant to Bankruptcy Code section 524, the discharge granted under this section shall avoid any judgment against the Debtor at any time obtained (to the extent it relates to a discharged Claim), and operates as an injunction against the prosecution of any action against the Debtor, Estate Property, the Reorganized Debtor, the Retained Assets and the Plan Trust Assets and the Unsecured Creditor Trust Assets (to the extent such action related to a discharged claim).

N. Injunction

Except as provided in the Plan, the Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Equity Interest, or other right of an equity security holder that is terminated under the Plan are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts, liabilities, or terminated Equity Interests or rights against of affecting the Debtor, the Reorganized Debtor, New ATA, the Estate, the Estate Property, the Plan Trust Assets, the Unsecured Creditor Trust Assets and the Retained Assets: (a) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind against the Debtor, its Estate, the Estate Property, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor and New ATA (including, all suits, actions, and proceedings that are pending on the Effective Date, which shall be deemed withdrawn and

dismissed with prejudice); (b) enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree, or order against the Debtor, the Reorganized Debtor, New ATA, the Plan Trust, the Unsecured Creditor Trust, and their respective property, including without limitation, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets and the Estate Property; (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtor, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor, New ATA, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets and the Estate Property; (d) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtor, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor, New ATA, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets and the Estate Property; and (e) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

On and after the Effective Date, all Derivative Litigation Claims, except as otherwise released under the Plan, regardless of whether pending on the Petition Date, shall become a Plan Trust Asset. All named plaintiffs (including certified and uncertified classes of plaintiffs) in any actions pending on the Effective Date relating to any Derivative Litigation Claims and their respective servants, agents, attorneys, and representatives shall, on and after the Effective Date, be permanently enjoined, stayed, and restrained from pursuing or prosecuting any Derivative Litigation Claim. Nothing in the Plan or herein shall impair claims or causes of action that any Person may have directly (as opposed to derivatively) against any other Person.

O. Releases

The Plan contemplates various releases and exculpations required under the Global Settlement. For the Global Settlement to be viable, the parties negotiated various releases and exculpations to finally resolve all issues among the parties. The terms of these releases and exculpations are set forth below along with a discussion and rationale for such release and exculpation.

1. Employee Claim Release

Except as otherwise provided for in the Plan, on the Effective Date, the Debtor, the Affiliates, each of the Lenders, the Administrative Agent, and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals shall be released from all Employee Claims and any other Claims that have been or could have been asserted by the Unions and Batman in the WARN Adversaries. The foregoing release shall not be deemed to release any claims of the Unions or Batman with respect to employee medical Claims under applicable plans, payment for which has been previously authorized by the Bankruptcy Court, and any issues concerning the flexible spending account against parties other than each of the Lenders, the Administrative Agent, ATA, the Affiliates, and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals.

In this release, various labor groups, including the Unions and Batman on behalf of the Employees they represent, are releasing the Debtor, the Affiliates, the Lenders, the Administrative Agent, and a number of related parties from all Employee Claims and Claims asserted in the WARN Adversaries. The release, however, does not release any Claims of the Unions and Batman concerning employee medical claims for which payment has been previously authorized by the Bankruptcy Court and any issues relating to flexible spending accounts against parties other than those being specifically released. This release is one of the cornerstones of the Global Settlement and resolves the Claims asserted in the WARN Adversaries and other Employee Claims in exchange for the consideration and value provided and to be paid to Employees under the Global Settlement.

2. Lender Release

Except as otherwise provided for in the Plan, on the Effective Date, the Debtor, the Administrative Agent, and the Lenders shall release each other, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals (such parties in the case of the Debtor, the "Debtor Related Parties") (and, in the case of each of the Lenders and the as Administrative Agent, their respective shareholders, members, managers, partners (limited or general), principals, and affiliates) from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case (including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the Term Loan Agreement and related loan documents, including any such claims or causes of action that any holder of a Claim or Equity Interest would have been legally entitled to assert on behalf of the Debtor or its bankruptcy estate; provided, however, the foregoing releases shall not operate as a waiver or release of (a) the Allowed Lender Secured Claims and Lender Recoveries; (b) any claims, rights, or causes of action of the Lenders and/or the Administrative Agent, against any of the Affiliates or any other Released Party (as defined below, but excluding the Debtor and the Debtor Related Parties constituting a Released Party, subject to preservation of the Allowed Lender Secured Claims and Lender Recoveries as provided above in subclause (a)) under the Term Loan Agreement and related loan documents or otherwise; or (c) any claims, rights, or causes of action of any Affiliate against the Administrative Agent, the Lenders, and each of their respective officers, directors, employees, insurers, attorneys, advisors, professionals, shareholders, members, managers, partners (limited or general) principals, and affiliates under the Term Loan Agreement and related loan documents or otherwise.

In this release, the Debtor on the one hand and the Lenders and the Administrative Agent on the other hand are releasing each other and a number of related parties from any claims they may have against each other. This release is also required under the Global Settlement and is essential to the Plan because any Deficiency Claim of the Lenders is released and waived. This release allows the Distribution to General Unsecured Creditors to be more meaningful because

the Lenders' significant Deficiency Claims will not otherwise dilute Distributions to General Unsecured Creditors. This release, however, does not release any Lender Recoveries that the Lenders are entitled to receive under the Plan and does not release any Claims the Lenders and Affiliates may have against each other under the Term Loan Agreement or otherwise.

3. Affiliate Release

Except as otherwise provided for in the Plan, on the Effective Date, the Debtor and the Affiliates shall release each other, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals, including in each such person's capacity as an officer, director, employee, insurer, attorney, advisor, or professional of or to ATA (and, in the case of each of the Affiliates their respective shareholders, members, managers, partners (limited or general), principals, and affiliates), and any entity claimed to be liable derivatively through any of the foregoing parties (each such party, a "Released Party") from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case (including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the ownership, management, and operation of the Debtor, including any such claims or causes of action that any holder of a Claim or Equity Interest would have been legally entitled to assert on behalf of the Debtor or its bankruptcy estate; provided, however, the foregoing release shall not operate as a waiver or release of (a) the Allowed Other Secured Claim granted to GAL under section 11.4 of the Plan; (b) the Affiliate Avoidance Actions to be controlled by the Lenders; (c) any claims, rights or causes of action of the Lenders and/or the Administrative Agent, against any of the Affiliates or any other Released Party (excluding the Debtor and the Debtor Related Parties constituting a Released Party, subject to preservation of the Lender Claims and Lender Recoveries as provided above) under the Term Loan Agreement and related loan documents or otherwise; or (d) any claims, rights, or causes of action of any Affiliate against the Administrative Agent, and the Lenders, and each of their respective officers, directors, employees, insurers, attorneys, advisors, professionals, shareholders, members, managers, partners (limited or general), principals, and affiliates under the Term Loan Agreement and related loan documents or otherwise.

In this release, the Debtor on one hand and the Affiliates on the other hand are releasing each other and a number of related parties from any claims they may have against each other. This release is required under the Global Settlement and is essential to the Plan because any Claims of the Affiliates are released and waived. This release also allows the Distribution to General Unsecured Creditors to be more meaningful because the Affiliates have asserted significant Claims of approximately \$272 million against the Debtor that would otherwise dilute distributions to General Unsecured Creditors. Implementation of this release will enhance Distributions to Unsecured Creditors and is a significant concession made by the Affiliates to allow for this enhancement. This release, however, does not release the Allowed Other Secured Claim granted to GAL pursuant to section 11.4 of the Plan, the Affiliate Avoidance Actions that

are transferred to the Plan Trust and any claims the Lenders and Affiliates may have against each other under the Term Loan Agreement or otherwise.

4. Officer and Director Release

Except as otherwise provided for in the Plan, on the Effective Date, each of (i) the Debtor; (ii) the Administrative Agent, and the Lenders; (iii) the Affiliates; and (iv) the Committee, as applicable, shall be deemed to have released the Debtor's officers and directors (solely in their respective capacities as officers and directors of the Debtor) and their professionals, from any and all claims, causes of actions, and other liabilities accruing on or before the Effective Date, and arising from or relating to any actions taken or not taken in connection with the decision to file bankruptcy on behalf of the Debtor, the shutdown of the Debtor's operations, the winddown and operation of the Debtor during chapter 11, the administration of the Bankruptcy Case, the negotiation and implementation of the Settlement and the Plan, confirmation of the Plan, consummation of the Plan (including all distributions thereunder), the administration of the Plan, and the property to be distributed under the Plan.

In this release, the Debtor, the Administrative Agent, the Lenders, the Affiliates and the Committee are releasing the Debtor's officers and directors, (but solely in their capacity as officers and directors of the Debtor) and a number of related parties from any and all Claims relating to any actions taken and not taken in connection with various decisions related to the bankruptcy filing, administration of the Bankruptcy Case, negotiation of the Global Settlement and the Plan and Distributions to be made under the Plan. This release is also required by the Global Settlement and is typical and customary for transactions of this type and scope. The Debtor's officers and directors worked diligently to negotiate and complete the Global Settlement that will provide a Distribution to various Creditor groups under the Plan and that would otherwise not be available without the efforts of the officers and directors and their leadership in the settlement process and the administration of the Bankruptcy Case.

5. Creditor Release

Except as otherwise provided for in the Plan, effective on the Effective Date, each holder of a Claim who is not (a) a Lender, (b) GAL, or (c) any of GAL's subsidiaries who votes in favor of the Plan or accepts a distribution under the Plan shall be conclusively presumed to have released GAL and its subsidiaries (other than the Debtor), the Administrative Agent, and the Lenders, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case (including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the ownership, management, and operation of the Debtor; provided, however,

such release shall not operate as a waiver or release of any such claims or causes of action related to or arising under any guaranty made by GAL or any of its subsidiaries.

This release is similar to an exculpation by providing that any Creditor (other than the Lenders, GAL, or any subsidiary of GAL) who votes in favor of the Plan or receives a Distribution under the Plan, is deemed to have released GAL and its subsidiaries (other than the Debtor), the Lenders and the Administrative Agent and various related parties from any Claims relating to the Debtor, the Bankruptcy Case or ownership, management and operation of the Debtor. This release, however, does not release any Claims relating to any guaranty made by GAL or any of its subsidiaries to any Creditor. The Debtor believes this release is appropriate for a number of reasons. First and most significant, the parties receiving the release are limited to those parties who have contributed a considerable benefit and critical element to the Global Settlement. Specifically, the Lenders are funding the Plan with over \$16 million in Cash from their Cash Collateral. Without this contribution of Cash there would be no Global Settlement and it is very unlikely that any General Unsecured Creditor would receive any Distribution in the Bankruptcy Case. In addition, the Lenders are waiving their Deficiency Claim. The Debtor estimates that the Lender Deficiency Claim is in the range of approximately \$300 million. The waiver of this Deficiency Claim will allow Creditors to receive a much larger Distribution under the Plan because the Distribution will not be diluted by this large Deficiency Claim. Moreover, the Lenders have contributed significantly to the Bankruptcy Case prior to the negotiation of the Global Settlement by allowing their Cash Collateral to be used to fund costs of administration, certain priority employee claims, health and medical claims incurred before the Bankruptcy Case and COBRA benefits. As to GAL and its subsidiaries, they also have made meaningful and essential contributions to the Global Settlement and the Bankruptcy Case. Specifically, the labor parties to the Global Settlement conditioned their agreement to the settlement upon the waiver of Claims asserted by GAL and its subsidiaries against the Debtor. These Claims total approximately \$272 million. The waiver of these Claims also will allow Creditors to receive a much larger Distribution under the Plan because the Distribution will not be diluted by the large Claims of GAL and its subsidiaries. Finally, as part of the Global Settlement, the labor groups conditioned their participation in the settlement upon GAL's agreement to provide a preferential hiring program. GAL ultimately agreed to implement this preferential hiring program for the benefit of certain unionized employees. As a result, the preferential hiring program is an additional benefit conferred by GAL in the overall Global Settlement. In exchange for providing Cash, the waiver of Claims and the preferential hiring program described above, the Lenders, the Administrative Agent and GAL and its subsidiaries (other than the Debtor) have requested a release of Claims from any Creditor who receives a Distribution under the Plan or otherwise votes for the Plan. In sum, the Debtor believes this release of Claims is appropriate because without the contributions made by these parties, there would be no available Distributions to General Unsecured Creditors.

6. Exculpation

On the Effective Date, each of (i) the Debtor and its respective officers and directors (solely in their respective capacities as officers and directors of the Debtor); (ii) the Debtor's attorneys, advisors and other professionals; (iii) the Administrative Agent, the Lenders and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys,

advisors, representatives and professionals; (iv) the Affiliates and any of their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals; (v) the Unions and their attorneys; (vi) the Committee and its members, attorneys, advisors and other professionals; (vii) the Batman Plaintiffs and their attorneys, advisors and other professionals; and (viii) Wilmington Trust Company solely in its capacity as loan trustee, indenture trustee and subordination agent for the ATA 1996-1 Series EETC and its attorneys, advisors and other professionals shall have no liability to any holder of a Claim or Equity Interest or to any other person for any action taken or not taken in connection with the decision to file a bankruptcy petition on behalf of the Debtor, the shutdown of the Debtor's operations, the winddown and operation of the Debtor during chapter 11, the administration of the Bankruptcy Case, the negotiation and implementation of the Global Settlement and the Plan, confirmation of the Plan, consummation of the Plan (including all Distributions hereunder), the administration of the Plan, and the property to be distributed under the Plan (except as to rights, obligations, duties, and Claims established under the Plan). In all such instances, such parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Bankruptcy Case and under the Plan. Any and all Claims, causes of actions, rights, or any liabilities described above held by any person or party in interest against the foregoing parties listed in subsections (i)-(vi) above are fully waived, barred, released, and discharged in all respects (except as to rights, obligations, duties, and claims established under the Plan). Nothing contained in this section shall operate as a release, waiver, or discharge of any Claim, cause of action, right, or other liability against members of the Committee in any capacity other than as a member of the Committee.

In this exculpation, the Debtor, the Lenders and the Administrative Agent, the Affiliates, the Unions and the Committee and various related parties are deemed to have no liability to any holder of a Claim or Equity Interest for any actions taken and not taken in connection with various decisions related to the bankruptcy filing, administration of the Bankruptcy Case, negotiation of the Global Settlement and the Plan and Distributions to be made under the Plan. This release is also required by the Global Settlement and is typical and customary for transactions of this type and scope. The parties receiving the exculpation have also worked diligently to negotiate and complete the Global Settlement that will provide a distribution to various Creditors under the Plan. This Distribution would otherwise not be available without the efforts of these parties and their role in the settlement process and the administration of the Bankruptcy Case. The exculpation is limited to actions taken or not taken in connection with the Bankruptcy Case as described above.

P. Continuing Obligations of the Reorganized Debtor

Notwithstanding anything to the contrary in the Plan, the Reorganized Debtor shall have no continuing obligations or duties after the Effective Date to the Plan Trustee or the Unsecured Creditor Trustee and with respect to any actions to be taken or consummated under the Plan unless otherwise required under the Purchase Agreement

Q. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court retains such jurisdiction over the Bankruptcy Case after the Effective Date as is legally permissible including, without limitation, jurisdiction to:

- ensure that the Plan is fully consummated and implemented;
- enter such orders that may be necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;
- consider any modification of the Plan under Bankruptcy Code section 1127;
- hear and determine all Claims, controversies, suits, and disputes against the Debtor to the full extent permitted under 28 U.S.C. section 157 and section 1334;
- allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any and all objections to the allowance or priority of Claims;
- hear, determine, and adjudicate any litigation involving the Rights of Action, Avoidance Actions, other claims or causes of action constituting Estate Property and other suits and adversary proceedings to recover property and assets of the Plan Trust or the Unsecured Creditor Trust (in each case, as successors-in-interest to the Debtor) wherever located, and to adjudicate any and all other Rights of Actions, Avoidance Actions, suits, adversary proceedings, motions, applications, and contested matters that may be commenced or maintained in the Bankruptcy Case or pursuant to the Plan, proceedings to adjudicate the Disputed Claims, and all controversies and issues arising from or relating to any of the foregoing;
- decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any motions or applications involving the Debtor that are pending on or commenced after the Effective Date;
- resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan, or any entity's obligations incurred in connection with the Plan, or any other agreements governing, instruments evidencing, or documents relating to any of the foregoing, including the interpretation or enforcement of any rights, remedies, or obligations under any of the foregoing;
- hear and determine all controversies, suits, and disputes that may arise out of or in connection with the enforcement of any subordination and similar agreements among Creditors under Bankruptcy Code section 510;

- hear and determine all requests for compensation and/or reimbursement of expenses that may be made for fees and expenses incurred before the Closing Date;
- enforce any Final Order, the Confirmation Order, the final decree, and all injunctions contained in those orders;
- enter an order concluding and terminating the Bankruptcy Case;
- correct any defect, cure any omission, or reconcile any inconsistency in the Plan, or the Confirmation Order, or any other document or instruments created or entered into in connection with the Plan;
- determine all questions and disputes regarding title to the Estate Property;
- classify the Claims of any Claimholders and the treatment of those Claims under the Plan, re-examine Claims that may have been allowed for purposes of voting, and determine objections that may be filed to any Claims;
- take any action described in the Plan involving the Debtor;
- enforce, by injunction or otherwise, the provisions contained in the Plan, the Confirmation Order, any final decree, and any Final Order that provides for the adjudication of any issue by the Bankruptcy Court;
- enter and implement such orders that are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- hear, determine and adjudicate any motions, contested or litigated motions brought pursuant to Bankruptcy Code section 1112; and
- enter a final decree as contemplated by Bankruptcy Rule 3022;
- hear, determine and adjudicate any and all Claims brought by the Plan Trustee and the Unsecured Creditor Trustee.

R. Defects, Omissions and Amendment of the Plan

The Debtor may, with the approval of the Bankruptcy Court and without notice to holders of Claims, insofar as it does not materially and adversely affect holders of Claims, correct any defect, omission, or inconsistency in the Plan in such a manner and to such extent necessary or desirable to expedite the execution of the Plan. The Debtor may, with the consent of JPMorgan, the Committee, the Unions and Batman, propose amendments or alterations to the Plan before the Confirmation Hearing as provided in Bankruptcy Code section 1127 if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123 and the Debtor have complied with Bankruptcy Code section 1125. The Debtor may, with the consent of JPMorgan, the Unsecured Creditor Trustee and the Plan Trustee,

propose amendments or alterations to the Plan after the Confirmation Date but prior to substantial consummation, in a manner that, in the opinion of the Bankruptcy Court, does not materially and adversely affect holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123, the Debtor have complied with Bankruptcy Code section 1125, and after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy Code section 1129.

ARTICLE XII. ALTERNATIVES TO THE PLAN

A. Chapter 7 Liquidation

A straight liquidation bankruptcy or “chapter 7 case” requires liquidation of the Debtor’s assets by an impartial trustee. In a chapter 7 case, the amount holders of General Unsecured Claims would receive depends upon the net estate available after all assets of Debtor have been reduced to cash. The cash realized from liquidation of each of the Debtor’s assets would be distributed in accordance with the order of distribution prescribed in section 507 of the Bankruptcy Code. Whether a bankruptcy case is one under chapter 7 or chapter 11, Secured Claims, Administrative Claims and Priority Claims are entitled to be paid in cash and in full before holders of General Unsecured Claims receive any funds.

If the Bankruptcy Case were converted to one under chapter 7 of the Bankruptcy Code, the present Priority Claims may have a priority lower than Priority Claims generated by the chapter 7 case, such as the chapter 7 trustee’s fee or the fees of attorneys, accountants and other professionals the trustee may engage. Conversion to chapter 7 then would create an additional layer of Priority Claims

In a chapter 7 liquidation case, a fully secured creditor would be entitled to full payment, including interest, from the proceeds of sale of the secured creditor’s collateral, provided the realized value of the collateral is sufficient to pay both the principal and interest. A secured creditor whose collateral is insufficient to pay its Secured Claim in full will be entitled to assert a General Unsecured Claim for its deficiency and share with holders of General Unsecured Claims.

If the Bankruptcy Case were converted to one under chapter 7, the Bankruptcy Court would appoint a trustee to liquidate the assets of ATA and to distribute the proceeds as described immediately above. The chapter 7 trustee would be entitled to receive compensation under section 326 of the Bankruptcy Code. The trustee’s fee on all monies disbursed or turned over in the case by the trustee to parties in interest, excluding the Debtor, but including holders of Secured Claims would not exceed (i) 25% on the first \$5,000 or less, (ii) 10% on any amount in excess of \$5,000 but not in excess of \$50,000, (iii) 5% on any amount in excess of \$50,000 but not in excess of \$1,000,000, and (iv) reasonable compensation not to exceed 3% on any amount in excess of \$1,000,000. The trustee’s fees would be paid as a cost of administration and may be paid in full prior to the costs and expenses incurred in a chapter 11 case and prior to any payment to holders of General Unsecured Claims.

It is also highly likely that the chapter 7 trustee will retain his or her own attorneys and accountants, and perhaps other professionals such as appraisers, whose fees would also constitute Priority Claims in a chapter 7 case, with a priority that may be higher than those claims arising under a chapter 11 case.

Liquidation under chapter 7 of the Bankruptcy Code will also entail the appointment of a trustee having no experience or knowledge of the Debtor's business, its records or assets. A substantial period of education will be required in order for any chapter 7 trustee to wind the case up effectively. Also, in the event litigation proves necessary on multiple issues, the chapter 7 trustee would likely be in an inferior position to prosecute such actions without prior knowledge regarding the Debtor's business and without any source of funding to support such efforts.

Annexed hereto as **Exhibit 3** is the Debtor's Liquidation Analysis (the "Liquidation Analysis"). The Liquidation Analysis demonstrates that Creditors will receive a substantially greater Distribution under the Plan than a hypothetical liquidation under chapter 7 of the Bankruptcy Code. The analysis provided is believed to be reasonable and conservative. Readers are urged to review the notes and assumptions contained in **Exhibit 3**.

B. Dismissal

If dismissal of the Bankruptcy Case were to occur, the Debtor would no longer have the protection of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In the event of dismissal, it is highly unlikely that holders of General Unsecured Claims would receive any amount on their Claims. Dismissal would force a race among Creditors to take over and dispose of the Debtor's available assets. Even the most diligent holders of General Unsecured Claims would likely fail to realize any recovery on their Claims.

C. Alternative Plan

Because the Debtor has filed the Plan and seeks its confirmation during the respective exclusive periods established under the Bankruptcy Code, no other alternative plans can be proposed at this time. Moreover, the Debtor believes that the Plan is in the best interest of Creditors. The Debtor further believes that any alternative plan without the benefit of the Global Settlement would not be viable and would not provide the same recovery to Creditors as that proposed under the current Plan.

ARTICLE XIII. FEASIBILITY AND CERTAIN FACTORS TO BE CONSIDERED

A. Feasibility

The Bankruptcy Code requires the Debtor to demonstrate that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Debtor has prepared a pro forma closing balance sheet (the "Closing Balance Sheet"), and cash flow statements for the Plan Trust (the "Plan Trust Cash Flow") and the Unsecured Creditor Trust (the "Unsecured Creditor Trust Cash Flow", and together with the Closing Balance Sheet and the

Plan Trust Cash Flow, the “Financial Statements”) from the Effective Date through 2010 (the “Forecast Period”). The Closing Balance Sheet is annexed hereto as **Exhibit 4**, the Plan Trust Cash Flow is annexed hereto as **Exhibit 5A**, and the Unsecured Creditor Trust Cash Flow is annexed hereto as **Exhibit 5B**. Based on the Financial Statements, the Debtor believes that all payments required to be made pursuant to the Plan will occur and therefore, confirmation of the Plan is feasible.

The Financial Statements are based on the assumption that the Plan will be confirmed by the Bankruptcy Court and for forecast purposes, that the Effective Date and the initial Distributions thereunder take place during the first quarter of 2009. Although the forecasts and information are based upon a March 1, 2009 Effective Date, the Debtor believes that an actual Effective Date later in the first quarter of 2009 would not have any material effect on the forecasts.

The Debtor has prepared the Financial Statements based upon certain assumptions which it believes to be reasonable under the circumstances. Those assumptions that are considered to be significant are described in the notes to the Financial Statements. The Financial Statements have not been examined or compiled by independent accountants. The Debtor makes no representation as to the accuracy of the forecasts. Many of the assumptions on which the forecasts are based are subject to significant uncertainties. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the Forecast Period may vary from the forecasted results and the variations may be material. In evaluating the Plan, all holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Financial Statements are based.

B. Certain Factors to be Considered

Creditors should carefully consider the following factors, as well as the other information contained in this Disclosure Statement (as well as the documents delivered herewith or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan.

The principal purpose of the Bankruptcy Case is the formulation of the Plan, which establishes how Claims against and Equity Interests in the Debtor will be satisfied. Under the Plan, certain Claims may receive partial distributions, and other Claims may not receive any distributions at all. Equity Interests will receive no distributions.

1. Failure to Confirm or Consummate the Plan

If the Plan is not confirmed and consummated, it is possible that an alternative plan can be negotiated and presented to the Bankruptcy Court for approval, however, there is no assurance that the alternative plan will be confirmed, that the Bankruptcy Case will not be converted to a liquidation, or that any alternative chapter 11 plan could or would be formulated on terms as favorable to the Creditors as terms of the Plan. Interestholders will receive no recovery under the Plan or in a liquidation. If a liquidation or protracted reorganization were to occur, there is a risk that there would be little, if any, value available for distribution to the Claimholders or Interestholders.

2. Claim Estimates May Be Incorrect

There can be no assurance that the estimated Allowed Claim amounts set forth herein are correct. The actual allowed amounts of Claims may differ from the estimates. The estimated amounts are subject to certain risks. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, the actual allowed amounts of Claims may vary from those estimated herein.

3. Estimate of Preference Recoveries May Be Incorrect

There can be no assurance that the estimated Net Preference Recoveries set forth in Article VI.C herein are correct. The actual Preference Recoveries may substantially differ from the estimates. The estimated amounts are subject to certain risks. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, the actual Net Preference Recoveries may vary from those estimated herein.

4. Estimate of Recovery Related To FedEx Litigation May Be Incorrect

Any type of litigation, by its very nature, is speculative and subject to numerous risks and uncertainties. Accordingly, there can be no assurance that the estimated Net FedEx Recoveries set forth in Article VI.C herein are correct. The actual Net FedEx Recoveries may substantially differ from the estimates. The estimated amounts are subject to certain risks. If one or more of these risks or uncertainties materializes, or if underlying assumptions prove incorrect, the actual Net FedEx Recoveries may vary from those estimated herein.

5. Buyer LOI May Not Be Consummated

There can be no assurance that the sale transaction contemplated under the Buyer LOI will be consummated. The Buyer LOI is subject to certain terms and conditions, including the obtaining of regulatory approval by the Federal Aviation Administration that all of the Debtor's operating authorizations at LaGuardia Airport can pass to the Reorganized Debtor and that the New Equity Interest can be conveyed to the Buyer without any degradation of such operating authorizations. If any term or condition is not satisfied (unless waived), then the sale transaction under the Buyer LOI may not close. Failure to close the sale transaction would impact the total amount of Cash comprising the Lender Recoveries.

6. The Global Settlement might not be approved in the Batman Adversary Proceeding

As noted above, the Bankruptcy Court will consider final approval of the Global Settlement in the Batman Adversary Proceeding in conjunction with Plan confirmation. In reviewing the adequacy of a class action settlement, the Court considers whether the proposed settlement is lawful, fair, reasonable, and adequate. *See Isby v. Bayh*, 75 F3d 1191, 1196 (7th Cir. 1996) (citing *E.E.O.C. v. Hiram Walker & Sons, Inc.*, 768 F.2d 884, 889 (7th Cir. 1985)). If the Bankruptcy Court determines that the Global Settlement does not meet the standards for approval under the Federal Rules of Civil Procedure with respect to the Batman settlement class,

the Global Settlement will not bind the Batman class. In that scenario, the Global Settlement will fail as to all parties, the Plan cannot be confirmed.

ARTICLE XIV. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain material United States federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal United States federal income tax consequences of the Plan to the Debtor and to holders of Claims who are entitled to vote or to accept or reject the Plan are described below. No rulings or determination of the IRS or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtor or any holder of a Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of the United States federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the “Tax Code”), Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect).

The following discussion does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the United States federal income tax consequences of the Plan to special classes of taxpayers (e.g., banks and certain other financial institutions, insurance companies, tax-exempt organizations, governmental entities, Persons that are, or hold their Claims through, pass-through entities, Persons whose functional currency is not the United States dollar, foreign Persons, dealers in securities or foreign currency, employees, Persons who received their Claims pursuant to the exercise of an employee stock option or otherwise as compensation and Persons holding Claims that are hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale or conversion transaction). Furthermore, the following discussion does not address United States federal taxes other than income taxes.

Each Claimholder or Interestholder is strongly urged to consult its own tax advisor regarding the United States federal, state, and local and foreign tax consequences of the transactions described herein and in the Plan. The following summary is not a substitute for careful tax planning and advice based on individual circumstances. All Creditors are advised to consult their own tax advisors.

A. United States Federal Income Tax Consequences to the Debtor

Upon implementation of the Plan, the amount of the Debtor's aggregate outstanding indebtedness will be reduced substantially. In general, the discharge of a debt obligation in exchange for an amount of cash and other property having a fair market value (or, if applicable, in the case of a new debt instrument, an "issue price") less than the "adjusted issue price" of the debt gives rise to cancellation of indebtedness ("COD") income to the debtor; however, COD income is not taxable to the debtor if the debt discharge occurs in a Title 11 bankruptcy case. Rather, under the Tax Code, such COD income instead will reduce certain of the Debtor's tax attributes, including net operating losses ("NOLs") and NOL carryovers, capital loss carryforwards, certain tax credits, and the tax basis of property of the consolidated group (including investments in certain subsidiaries)

B. United States Federal Income Tax Consequences to Claimholders and Interestholder of the Debtor

The United States federal income tax consequences to Claimholders (including the character, timing and amount of income, gain or loss recognized) will depend upon, among other things, (1) whether the Claim and the consideration received in respect thereof are "securities" for the United States federal income tax purposes; (2) the manner in which a Claimholder acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired at a discount; (5) whether the Claimholder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (6) whether the Claimholder has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (7) the Claimholder's method of tax accounting; and (8) whether the Claim is an installment obligation for United States federal income tax purposes. Therefore, Claimholders should consult their own tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan.

For federal income tax purposes, the Debtor, Creditors, and the other parties to the Plan will treat the transfer of the Plan Trust Assets to the Plan Trust and the Unsecured Creditor Trust Assets to the Unsecured Creditor Trust under the Plan as (i) payment in proportion to the value of their Claims against Debtor in payment in full of their Claims against Debtor, followed by (ii) a nontaxable contribution by Creditors of the Plan Trust Assets to the Plan Trust and Unsecured Creditor Trust Assets to the Unsecured Creditor Trust in exchange for Beneficial Interests in the respective Plan Trust and Unsecured Creditor Trust equal in value to the property they contributed.

1. Gain or Loss Recognition on the Satisfaction of Claims

Generally, each Creditor will have gain or loss on receipt from Debtor of its interest in the Plan Trust Assets and Unsecured Creditor Trust Assets equal to the difference (if any) between (i) the "amount realized" on account of its Claim (other than any claim for accrued and unpaid interest), and (ii) its adjusted tax basis in its Claim (other than on account of accrued and unpaid interest).

2. Character of Gain or Loss

In general, the character of any gain or loss recognized by a Creditor as capital or ordinary will depend on whether the Claim constitutes a capital asset in the hands of the Creditor. To the extent a debt instrument is acquired after its original issuance for less than the issue price of such instrument, however, it will have market discount. A holder of a Claim with market discount must treat any gain recognized on the satisfaction of such Claim as ordinary income to the extent that it does not exceed the market discount that has already been accrued with respect to such Claim.

3. Amounts in Respect of Interest

Generally, to the extent any amount received by a Creditor (whether cash or other property) is received in discharge of a Claim for interest accrued during its holding period, such amount will be taxable to the Creditor as interest income (if not previously included in the Creditor's gross income). A Creditor will recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent any accrued interest claimed was previously included in its gross income and is not paid in full.

4. Information Reporting and Backup Withholding

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payor to the Internal Revenue Service. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the Tax Code's backup withholding rules, a United States holder may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or provides a correct United States taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. Person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's United States federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

C. United States Federal Income Tax Consequences With Respect to the Plan Trust and Unsecured Creditor Trust

The Plan Trust and Unsecured Creditor Trust are expected to be taxable as grantor trusts within the meaning of Tax Code section 671, et seq. The Beneficiaries will be treated for all purposes of the Tax Code as the grantors of the Plan Trust and the Unsecured Creditor Trust and the owners of the Plan Trust and the Unsecured Creditor Trust. In general, to the extent the Plan Trust and Unsecured Creditor Trust are taxed as grantor trusts, the income of the Plan Trust and the Unsecured Creditor Trust will be allocated directly to their Beneficiaries and the Beneficiaries will be responsible for payment of all taxes due with respect to the operations of the Plan Trust and the Unsecured Creditor Trust. The Plan Trust Agreement and the Unsecured

Creditor Trust Agreement contain provisions intended to reduce or eliminate any taxable income of the Plan Trust and the Unsecured Creditor Trust.

In general, trusts are treated as entities separately taxable from their beneficiaries. The taxable income of a trust is generally computed in the same manner as for an individual with certain exceptions and special rules. However, trusts are allowed certain deductions not available to individuals, including a deduction for its distributions for any year, but not in excess of the trust's "distributable net income" ("DNI") and subject to various limitations. In general, a trust's DNI is equal to its taxable income computed with certain modifications. These modifications include: (1) no distribution deduction is taken while computing DNI, (2) no personal exemptions are taken, (3) capital gains are not included unless allocated to fiduciary accounting income, or paid, credited, or required to be distributed to a beneficiary, or paid or set aside for charitable purposes, (4) capital losses are not taken into account, except to the extent they reduce the amount of capital gains actually paid or credited to beneficiaries, (5) the exclusion under section 1202 is not taken into account, and (6) tax-exempt interest is included, net of disallowed deductions attributable to such interest. Distributions are generally taxed to the recipient beneficiaries to the extent such distributions are treated as carrying out taxable items of DNI. Distributions in excess of DNI are usually not taxed (unless, for example, throwback rules apply).

The payment by the Plan Trust and Unsecured Creditor Trust to their respective Beneficiaries also may be subject to applicable withholding. For example, under federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to backup withholding at a 31% rate. Backup withholding generally applies only if the holder (i) fails to furnish its social security number or other taxpayer identification number ("TIN"); (ii) furnishes an incorrect TIN; (iii) fails properly to report interest or dividends; or (iv) under certain circumstances, fails to provide a certified statement signed under penalty of perjury that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including corporations and financial institutions.

D. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A CLAIMHOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, CLAIMHOLDERS ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE UNITED STATES FEDERAL, STATE, AND LOCAL, AND APPLICABLE FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN, INCLUDING WITH RESPECT TO TAX REPORTING AND RECORD KEEPING REQUIREMENTS.

**ARTICLE XV.
CONCLUSION**

This Disclosure Statement provides information regarding the Debtor's bankruptcy and the potential benefits that might accrue to holders of Claims against and interest in the Debtor under the Plan as proposed. The Plan is the result of extensive efforts by the Debtor and its advisors to provide the holders of Allowed Claims with a meaningful dividend. The Debtor believes that the Plan is feasible and will provide each holder of a Claim against and Equity Interest in the Debtor with an opportunity to receive greater benefits than those that would be received by any other alternative. The Debtor, therefore, urges interested parties to vote in favor of the Plan.

[Signature Page Follows]

Dated: February 3, 2009

ATA AIRLINES, INC.

/s/ Steven S. Turoff

By: Steven S. Turoff

Its: Chief Restructuring Officer

EXHIBIT 1 TO THE DISCLOSURE STATEMENT

CHAPTER 11 PLAN

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION**

In re:)	Chapter 11
)	Case No. 08-03675-BHL-11
ATA AIRLINES, INC.)	
)	
Debtor)	

FIRST AMENDED CHAPTER 11 PLAN OF THE DEBTOR

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ATTORNEYS FOR DEBTOR

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The Liquidating Trust Agreement for the ATA Plan Trust	Exhibit B
The Liquidating Trust Agreement for the ATA Unsecured Creditor Trust.....	Exhibit C

INTRODUCTION

ATA Airlines, Inc., the Debtor in this chapter 11 case, proposes this chapter 11 Plan under Bankruptcy Code section 1121 for the resolution of outstanding Claims and Equity Interests and to implement the terms and conditions of that Global Settlement among the Debtor, JPMorgan, the Committee, the Unions and Batman.

ARTICLE 1 DEFINITIONS, RULES OF INTERPRETATION, AND CONSTRUCTION OF TERMS

1.1 Scope of Definitions.

All capitalized terms not defined elsewhere in the Plan have the meanings assigned to them in section 1.2 of the Plan. Any capitalized term used in the Plan that is not defined herein has the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules.

1.2 Definitions.

Defined terms are contained in the Glossary of Defined Terms attached as **Exhibit A** to the Plan.

1.3 Rules of Interpretation and Construction.

For purposes of the Plan, (i) any reference in the Plan to an existing document or exhibit filed or to be filed means that document or exhibit as it may have been or may be amended, supplemented, or otherwise modified; (ii) unless otherwise specified, all references in the Plan to sections, articles, and exhibits are references to sections, articles, or exhibits of the Plan; (iii) the words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to the Plan in its entirety and not to any particular portion of the Plan; (iv) captions and headings contained in the Plan are inserted for convenience and reference only, and are not intended to be part of or to affect the interpretation of the Plan; (v) wherever appropriate from the context, each term stated in either the singular or the plural includes the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and neuter gender; and (vi) the rules of construction outlined in Bankruptcy Code section 102 and in the Bankruptcy Rules apply to the Plan.

1.4 Plan Documents.

Plan Documents are those material agreements, instruments and related documents to be executed in order to implement and consummate the Plan.

ARTICLE 2 CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS; IMPAIRMENT

2.1 Classification.

Pursuant to Bankruptcy Code section 1122, a Claim or Equity Interest is placed in a particular Class for purposes of voting on the Plan and receiving Distributions under the Plan

only to the extent (i) the Claim or Equity Interest is an Allowed Claim or Allowed Equity Interest in that Class and (ii) the Claim or Equity Interest has not been paid, released, or otherwise compromised before the Effective Date. In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims, Professional Compensation Claims, and Priority Unsecured Tax Claims are not classified under the Plan.

2.2 Identification of Classes.

Allowed Claims and Allowed Equity Interests are classified under the Plan as follows:

Class - 1.1	Allowed Priority Employee Claims
Class - 1.2	Allowed Priority Unsecured Non-Tax Claims
Class - 2	Allowed Secured Tax Claims
Class - 3.1	Allowed Lender Secured Claims
Class - 3.2	Allowed Secured Letter of Credit Claims
Class - 3.3	Allowed Other Secured Claims
Class - 4	Allowed General Unsecured Claims
Class - 5	Allowed Subordinated Claims
Class - 6	Allowed Equity Interests

2.3 Unimpaired Classes.

Claims in Class - 1.2 are not Impaired under the Plan. Under Bankruptcy Code section 1126(f), holders of Claims in this Class are conclusively presumed to have accepted the Plan, and are therefore not entitled to vote to accept or reject the Plan.

2.4 Impaired Classes.

Except for the Claims in Class - 1.2, all Claims and Equity Interests are Impaired under the Plan. Holders of Claims and Equity Interests in the Impaired Classes are entitled to vote to accept or reject the Plan.

ARTICLE 3

TREATMENT OF UNCLASSIFIED CLAIMS AND CERTAIN POSTPETITION CLAIMS

3.1 Administrative Claims Bar Date.

Except as otherwise provided in Article 3 herein, all applications or other requests for payment of Administrative Claims arising on or before the Confirmation Date and not previously filed must be filed with the Bankruptcy Court and served on the Debtor, the U. S. Trustee, JPMorgan and the Plan Trustee by the Administrative Claims Bar Date. Any Administrative Claim for which an application or request for payment is not filed by the deadline specified in this section shall be discharged and forever barred. The Administrative Claims Bar Date does not apply to fees incurred under 28 U.S.C. section 1930(a)(6).

3.2 Professional Compensation Claims Bar Date.

All applications or other requests for payment of Professional Compensation Claims must be filed with the Bankruptcy Court and served on the Debtor, the U. S. Trustee, JPMorgan and the Plan Trustee by the Professional Compensation Claims Bar Date. Any Professional Compensation Claims for which an application or other request for payment is not filed by the deadline specified in this section shall be discharged and forever barred.

3.3 Payment of Administrative Claims.

The Plan Trustee shall pay Allowed Administrative Claims (except Professional Compensation Claims and Ordinary Course Liabilities) arising through the Confirmation Date from the Priority Claim Fund on the later of (a) the Effective Date or (b) ten (10) days after the date such Claim becomes Allowed.

3.4 Payment of Professional Compensation Claims.

The Plan Trustee shall pay Allowed Professional Compensation Claims within ten (10) days after the date such Claim becomes Allowed (a) first, from the balance of any retainers held by professionals until fully exhausted; and (b) second, from the Professional Compensation Claim Fund.

3.5 Payment of Allowed Priority Unsecured Tax Claims.

Allowed Priority Unsecured Tax Claims shall be satisfied in full at the election of the Plan Trustee as follows:

(a) Cash Payment.

The Plan Trustee may elect to satisfy any Allowed Priority Unsecured Tax Claim by the payment of Cash from the Priority Claim Fund to the holder of such Claim in the amount of its Allowed Priority Unsecured Tax Claim plus accrued interest after the Confirmation Date at the normal corporate interest rate for tax underpayments determined under section 6621(a) of the Internal Revenue Code, as amended (the "Tax Interest Rate"), such payment to be made on the later of (a) ten (10) days after the Effective Date or (b) ten (10) days after the date such Claim becomes Allowed.

(b) Other Agreements.

The Plan Trustee may elect to satisfy any Allowed Priority Unsecured Tax Claim pursuant to an agreement reached with the holder of such Claim.

3.6 U. S. Trustee Fees.

Until the Bankruptcy Case is closed, all fees incurred under 28 U.S.C. section 1930(a)(6) shall be paid in accordance with the Plan Trust Agreement and the Unsecured Creditor Trust Agreement.

ARTICLE 4 TREATMENT OF CLASSIFIED CLAIMS AND EQUITY INTERESTS

4.1 Treatment of Allowed Priority Employee Claims (Class – 1.1).

Allowed Priority Employee Claims shall be satisfied in full as follows:

(a) Allowance of Employee Claims (ALPA).

Each ALPA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the ALPA Distribution. Each ALPA Employee shall be deemed to hold an Allowed General Unsecured Claim equal in amount to the excess of such holder's Employee Claim over the Allowed Priority Employee Claim.

(b) Allowance of Employee Claims (AFA).

Each AFA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the AFA Distribution. Each AFA Employee shall be deemed to hold an Allowed General Unsecured Claim equal in amount to the excess of such holder's Employee Claim over the Allowed Priority Employee Claim.

(c) Allowance of Employee Claims (AMFA).

Each AMFA Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the AMFA Distribution. Each AMFA Employee shall be deemed to hold an Allowed General Unsecured Claim equal in amount to the excess of such holder's Employee Claim over the Allowed Priority Employee Claim.

(d) Allowance of Employee Claims (IAM).

Each IAM Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the IAM Distribution. Each IAM Employee shall be deemed to hold an Allowed General Unsecured Claim equal in amount to the excess of such holder's Employee Claim over the Allowed Priority Employee Claim.

(e) Allowance of Employee Claims (TWU).

Each TWU Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the TWU Distribution. Each TWU Employee shall be deemed to hold an Allowed General Unsecured Claim equal in amount to the excess of such holder's Employee Claim over the Allowed Priority Employee Claim.

(f) Allowance of Employee Claims (Batman).

Each Batman Employee shall be deemed to hold an Allowed Priority Employee Claim equal in amount to such holder's Employee Pro Rata Share of the Batman Distribution. Each Batman Employee shall be deemed to hold an Allowed General Unsecured Claim equal in amount to the excess of such holder's Employee Claim over the Allowed Priority Employee Claim.

(g) Treatment.

Allowed Priority Employee Claims and claims of Employees holding Allowed General Unsecured Claims shall be treated in accordance with the terms of the Unsecured Creditor Trust Agreement as follows:

- 1) Class 1.1 Beneficial Interests in the Unsecured Creditor Trust shall be allocated to Employees holding Class 1.1 Allowed Priority Employee Claims in accordance with the Unsecured Creditor Trust Agreement.
- 2) Class 4 Beneficial Interests in the Unsecured Creditor Trust shall be allocated to Employees holding Class 4 Allowed General Unsecured Claims in accordance with the Unsecured Creditor Trust Agreement.
- 3) Employees holding Allowed Priority Employee Claims shall receive Distributions on account of their Class 1.1 Beneficial Interest in accordance with the Unsecured Creditor Trust Agreement.
- 4) Employees holding Allowed General Unsecured Claims shall receive Distributions on account of their Class 4 Beneficial Interest in accordance with the Unsecured Creditor Trust Agreement.

(h) Settlement and Compromise.

The Employee Claims listed on each Employee Claim Register and the Allowance of such Claims as provided for herein constitute a settlement and compromise with respect to Employee Claims asserted against the Debtor and to the extent of any inconsistency between individual proofs of claim filed by Employees and the amounts set forth on the Employee Claim Registers, the amounts set forth on the Employee Claim Registers shall control and all other amounts asserted in a proof of claim shall be deemed disallowed.

4.2 Treatment of Allowed Priority Unsecured Non-Tax Claims (Class – 1.2).

The Plan Trustee shall pay each Allowed Priority Unsecured Non-Tax Claim in full from the Priority Claim Fund on the later of (i) the Effective Date or (ii) ten (10) days after the Allowance Date in accordance with the Plan Trust Agreement.

4.3 Treatment of Allowed Secured Tax Claims (Class - 2).

(a) Determination of Allowed Secured Tax Claims.

If there is more than one Allowed Secured Tax Claim, then each Allowed Secured Tax Claim shall be classified in a separate subclass. To the extent permitted under Bankruptcy Code section 506(b), each Allowed Secured Tax Claim shall accrue interest at the applicable rate during the period from the Petition Date until the Confirmation Date. The Plan Trustee may (i) seek a determination regarding the allowability of any Secured Tax Claim under the Bankruptcy Code and the Bankruptcy Rules and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

(b) Treatment of Allowed Secured Tax Claims.

Allowed Secured Tax Claims shall be satisfied in full at the election of the Plan Trustee as follows:

(i) Transfer of Collateral.

The Plan Trustee may elect to satisfy any Allowed Secured Tax Claim by conveying and transferring any Plan Trust Assets serving as collateral for the Allowed Secured Tax Claim to the holder thereof to the extent of the Allowed amount of such Secured Tax Claim. Any collateral remaining after satisfaction of such Allowed Secured Tax Claim shall remain Plan Trust Assets, free and clear of any Liens.

(ii) Cash Payment.

The Plan Trustee may elect to satisfy any Allowed Secured Tax Claim by the payment of Cash from the Priority Claim Fund to the holder of such Claim in the amount of its Allowed Secured Tax Claim.

(iii) Other Agreements.

The Plan Trustee may elect to satisfy any Allowed Secured Tax Claim pursuant to an agreement reached with the holder of such Claim.

(c) Retention of Lien.

Each holder of an Allowed Secured Tax Claim shall retain any Liens securing such Claim against Plan Trust Assets until such Claim is satisfied in accordance with the Plan (which may include the transfer of collateral provided for in section 4.3(b)(i) of the Plan) or until an earlier date agreed to by the holder of the Allowed Secured Tax Claim and the Plan Trustee.

(d) Deficiency Claim.

Subject to the limitations contained in Bankruptcy Code sections 502(b)(3) and 507(a)(8), if the holder of an Allowed Secured Tax Claim has a Deficiency Claim, such Claim shall be treated as a Priority Unsecured Tax Claim.

4.4 Treatment of Allowed Lender Secured Claims (Class - 3.1).

Class 3.1 Lender Secured Claims are allowed in the aggregate amount of the Lender Recoveries, and the Class 3.1 Allowed Lender Secured Claims shall be completely satisfied and treated in accordance with the Plan Trust Agreement as follows:

(a) Allocation of Class 3.1 Beneficial Interest.

JPMorgan, as agent for the Lenders, shall be allocated the Class 3.1 Beneficial Interest in accordance with the Plan Trust Agreement.

(b) Treatment of Allowed Lender Secured Claims.

In accordance with the Plan Trust Agreement, and on account of the Class 3.1 Beneficial Interest, holders of Allowed Secured Claims in Class 3.1 shall receive the Lender Distributions.

(c) Retention of Lien.

The Administrative Agent on behalf of each holder of an Allowed Lender Secured Claim shall retain all Liens securing such Claims against Plan Trust Assets until such Lender Secured Claims are satisfied in accordance with the Plan and Plan Trust Agreement.

(d) Treatment of Lender Deficiency Claims.

Holders of Lender Claims shall not receive any Distribution on account of any Lender Deficiency Claim, including any amount by which the Lender Claims exceed the amount of the Lender Recoveries.

4.5 Treatment of Allowed Secured Letter of Credit Claims (Class - 3.2).

(a) Determination of Allowed Secured Letter of Credit Claims.

If there is more than one Allowed Secured Letter of Credit Claim, then each Allowed Secured Letter of Credit Claim shall be classified in a separate subclass. The Plan Trustee may (i) seek a determination under the Bankruptcy Code and the Bankruptcy Rules regarding the allowability of any Secured Letter of Credit Claim and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

(b) Treatment of Allowed Secured Letter of Credit Claims.

Allowed Secured Letter of Credit Claims shall be satisfied in full at the election of the Plan Trustee, which shall be made on or before the Effective Date, as follows:

(i) Transfer of Collateral.

The Plan Trustee may elect to satisfy any Allowed Secured Letter of Credit Claim by conveying and transferring any Plan Trust Assets serving as collateral for the Allowed Secured Letter of Credit Claim to the holder thereof to the extent of the Allowed amount of such Secured Letter of Credit Claim. Any collateral remaining after satisfaction of such Allowed Secured Letter of Credit Claim shall remain a Plan Trust Asset, free and clear of any Liens.

(ii) Other Agreements.

The Plan Trustee may elect to satisfy any Allowed Secured Letter of Credit Claim pursuant to any agreement reached with the holder of such Claim.

(c) Retention of Lien.

Each holder of an Allowed Secured Letter of Credit Claim shall remain in possession of any Plan Trust Assets constituting its collateral securing such Claim and shall retain Liens securing such Claim against Plan Trust Assets until such Claim is satisfied in accordance with the Plan (which may include the transfer of collateral provided for in section 4.5(b)(i) of the Plan), or until an earlier date agreed to by the holder of the Allowed Secured Letter of Credit Claim and the Plan Trustee.

(d) Deficiency Claim.

If the holder of an Allowed Secured Letter of Credit Claim has a Deficiency Claim, such Claim shall be treated as a Class 4 General Unsecured Claim.

4.6 Treatment of Allowed Other Secured Claims (Class – 3.3).

(a) Determination of Allowed Other Secured Claims.

If there is more than one Allowed Other Secured Claim, then each Allowed Other Secured Claim shall be classified in a separate subclass. The Plan Trustee may (i) seek a determination under the Bankruptcy Code and the Bankruptcy Rules regarding the allowability of any Other Secured Claim and (ii) initiate litigation to determine the amount, extent, validity, and priority of any Liens securing any such Claim.

(b) Treatment of Allowed Other Secured Claims.

Allowed Other Secured Claims shall be satisfied in full at the election of the Plan Trustee as follows:

(i) Transfer of Collateral.

The Plan Trustee may elect to satisfy any Allowed Other Secured Claim by conveying and transferring any Plan Trust Assets serving as collateral for such Claim to the holder thereof to the extent of the Allowed amount of such Other Secured Claim. Any collateral remaining after satisfaction of such Allowed Other Secured Claim shall remain a Plan Trust Asset, free and clear of any Liens.

(ii) Cash Payment.

The Plan Trustee may elect to satisfy any Allowed Other Secured Claim by the payment of Cash from the Priority Claim Fund to the holder of such Claim in the amount of its Allowed Other Secured Claim.

(iii) Other Agreements.

The Plan Trustee may elect to satisfy any Allowed Other Secured Claim pursuant to an agreement reached with the holder of such Claim.

(c) Retention of Lien.

Each holder of an Allowed Other Secured Claim shall retain any Liens securing such Claim against Plan Trust Assets until such Claim is satisfied in accordance with the Plan (which may include the transfer of collateral provided for in section 4.6(b)(i) of the Plan), or until an earlier date agreed to by the holder of the Allowed Other Secured Claim and the Plan Trustee.

(d) Deficiency Claim.

If the holder of an Allowed Other Secured Claim has a Deficiency Claim, such Claim shall be treated under the Plan as a General Unsecured Claim.

4.7 Treatment of Allowed General Unsecured Claims (Class - 4).

Class 4 Allowed General Unsecured Claims shall be completely satisfied and treated in accordance with the Unsecured Creditor Trust Agreement as follows:

1) Class 4 Beneficial Interests in the Unsecured Creditor Trust shall be allocated to holders of Class 4 General Unsecured Claims in accordance with the Unsecured Creditor Trust Agreement.

2) In accordance with the Unsecured Creditor Trust Agreement and on account of their Class 4 Beneficial Interest in the Unsecured Creditor Trust, holders of Allowed Claims in Class 4 shall receive a Pro Rata Share of the Unsecured Creditor Distribution.

4.8 Treatment of Allowed Subordinated Claims (Class - 5).

The holders of Allowed Subordinated Claims shall not receive any Distributions, nor retain any Estate Property or interest in Estate Property, on account of such Claims.

4.9 Treatment of Allowed Equity Interests (Class - 6).

On the Effective Date, the Equity Interests in ATA shall be canceled and extinguished, and the holders thereof shall not be entitled to receive any Distributions on account of such Equity Interests.

ARTICLE 5 EXECUTORY CONTRACTS

5.1 Assumption and Assignment of Executory Contracts.

On the Effective Date, all Executory Contracts set forth on the Schedule of Assumed Executory Contracts shall be deemed assumed and assigned to New ATA.

5.2 Deemed Rejection.

All Executory Contracts not set forth on the Schedule of Assumed Executory Contracts are deemed rejected as of the Effective Date.

5.3 Stipulated Termination and Rejection of CBAs.

As of the Confirmation Date, all CBAs with any of the Unions shall be deemed terminated, extinguished and rejected under sections 365(a) and 1113(a) of the Bankruptcy Code and of no further force and effect. The Confirmation Order shall constitute approval of the stipulated termination, extinguishment and rejection of the CBAs and a finding that such rejection is in accordance with section 1113 of the Bankruptcy Code. No rejection damage Claim shall arise from the stipulated termination, extinguishment and rejection of any CBA.

5.4 Approval of Assumption or Rejection.

Entry of the Confirmation Order shall constitute: (i) the approval, pursuant to section 365(a) of the Bankruptcy Code, of the assumption and/or assumption and assignment of the Executory Contracts assumed pursuant to the Plan or otherwise during the Case; and (ii) the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of the Executory Contracts rejected pursuant to the Plan or otherwise during the Case.

5.5 Procedures Related to Assumption and Assignment of Executory Contracts.

To the extent a counterparty to an Executory Contracts disputes the Cure Amount identified in the Schedule of Assumed Executory Contracts with respect to the Executory Contract, such counterparty must file a Proof of Cure Claim in the Bankruptcy Case on or before the Cure Claim Bar Date and shall serve such Proof of Cure Claim on the Debtor, JPMorgan, the Committee and the Buyer. If a counterparty to an Executory Contract does not file a Proof of Cure Claim by the Cure Claim Bar Date, the proposed Cure Amount specified on the Schedule of Assumed Executory Contracts with respect to such party's Executory Contract shall be the Cure Amount for that Executory Contract.

(a) Objection to Disputed Cure Amounts.

The Debtor and the Buyer shall have the right to examine any Proof of Cure Claim filed by any party, and shall have the right to object to and contest the Disputed Cure Amount asserted therein. Any objection to a Disputed Cure Amount must be filed with the Bankruptcy Court on or before the Cure Claim Objection Deadline and served on the party asserting such Disputed Cure Amount.

(b) Payment of Cure Amounts.

Within ten (10) Business Days after the Effective Date, the Buyer shall: (1) pay, in cash, all Cure Amounts related to Executory Contracts listed on the Schedule of Assumed Executory Contracts, other than Disputed Cure Amounts, and, (2) for each Executory Contract listed on the Schedule of Assumed Executory Contracts subject to a Disputed Cure Amount, deposit in escrow funds in an amount equal to such Disputed Cure Amount pending final determination of the Cure Amount applicable to such Executory Contract.

(c) Non-Admission.

Neither the exclusion nor inclusion of any Executory Contract by the Debtor on the Schedule of Assumed Executory Contracts, nor anything contained in the Plan, shall constitute an admission by the Debtor that any such contract or unexpired lease is in fact an executory contract or that the Debtor has any liability thereunder.

(d) Waiver, etc.

Nothing in the Plan shall waive, excuse, limit, diminish, or otherwise alter any of the defenses, claims, causes of action, or other rights of the Debtor under any executory or non-executory contract or any unexpired or expired lease, nor shall any provision of the Plan, increase, augment, or add to any of the duties, obligations, responsibilities, or liabilities of the Debtor under any executory or non-executory contract or any unexpired or expired lease.

5.6 Rejection Damage Claim Bar Date.

Except as otherwise provided in this section, each Claim resulting from the rejection of an Executory Contract pursuant to the Plan shall be filed with the Bankruptcy Court no later than the Rejection Damage Claim Bar Date. Any Claim resulting from the rejection of an Executory Contract not filed by the applicable deadline shall be deemed waived and forever barred and shall not be entitled to any Distributions under the Plan. The Unsecured Creditor Trustee shall have the right, but not the obligation, to object to any Claim resulting from the rejection of an Executory Contract.

5.7 Indemnification Obligations.

Any obligation of the Debtor to indemnify, reimburse, or limit the liability of any Person, including, but not limited to any officer or director of Debtor, or any agent, professional, financial advisor, or underwriter of any securities issued by Debtor, relating to any acts or omissions occurring before the Petition Date, whether arising pursuant to charter, by-laws, contract or applicable state law, shall be deemed to be, and shall be treated as, an Executory Contract and (i) shall be deemed to be rejected, canceled, and discharged pursuant to the Plan as of the Effective Date and (ii) any and all Claims resulting from such obligations are disallowed under section 502(e) of the Bankruptcy Code. Notwithstanding any of the foregoing, nothing contained in the Plan impacts, impairs or prejudices the rights of any Person covered by any applicable D&O Policy with respect to such policy or policies.

**ARTICLE 6
MEANS FOR IMPLEMENTATION OF THE PLAN**

6.1 The Reorganized Debtor.

(a) Issuance of the New Equity Interest.

On the Effective Date, the New Equity Interest shall be issued to the Plan Trustee, free and clear of all Liens, Claims, interests and encumbrances.

(b) Existence of Reorganized Debtor.

Except as otherwise provided in the Plan, the Reorganized Debtor will exist after the Effective Date as a reorganized, separate corporate entity or other business entity form, with all of the powers of a corporation or other business form under applicable law

in the jurisdiction in which the Debtor is incorporated or otherwise formed and pursuant to its certificate of incorporation and bylaws or other organizational documents in effect before the Effective Date, as such documents are amended by or pursuant to the Plan. Notwithstanding, the Debtor or Reorganized Debtor may change its status of incorporation or alter its corporate structure or business form (either through a merger, consolidation, restructuring, conversion, disposition, liquidation, dissolution, or otherwise) on or after the Effective Date as determined by the Plan Trustee as the holder of the New Equity Interest.

(c) Certificate of Incorporation and By-Laws.

As of the Effective Date and without any further action by the stockholders or directors of Debtor or Reorganized Debtor, and to the extent necessary to comply with Bankruptcy Code section 1123(a)(6), Debtor's articles of incorporation and by-laws shall be amended and restated, in form and substance and consistent with the Plan, to provide for, among other things, the authorization of all acts necessary to implement this Plan including, without limitation, the issuance of the New Equity Interest. The officers of the Reorganized Debtor are authorized to file such articles of incorporation and by-laws with the appropriate authorities without shareholder approval or any other action. After the Effective Date, the Reorganized Debtor may amend and restate its articles of incorporation and by-laws as permitted by applicable law.

(d) Debtor's Board of Directors.

The members of the Board of Directors of the Debtor existing immediately prior to the Effective Date shall be deemed terminated without cause as of the Effective Date. Any claim or cause of action arising from the dismissal of any members of the Board of Directors shall be deemed waived in consideration for the release and exculpation provided in the Plan. The Plan Trustee shall nominate and elect new members for the Board of Directors in accordance with the Reorganized Debtor's by-laws.

6.2 New ATA.

(a) Formation of New ATA.

On the Effective Date, and if the Purchase Agreement is consummated, the Debtor will form New ATA as a limited liability company organized, validly existing, and in good standing under the laws of the State of Delaware qualified to do business in every jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on the financial condition, operating results, assets, operations, or business prospects of New ATA.

(b) Operation of New ATA.

New ATA shall have all assets and authorizations comprising the Retained Assets in order to carry out the sale of the New Membership Interest and other transactions

contemplated by the Purchase Agreement and the Plan. On the Effective Date, New ATA shall be permitted to operate its business and may use, operate, acquire, and dispose of its property and assets free of any restrictions under the Plan.

(c) Transfer of the Retained Assets.

On the Effective Date and if the Purchase Agreement is consummated, all property and authorizations comprising the Retained Assets shall be transferred and conveyed to New ATA, free and clear of all Liens, Claims, interests, and encumbrances.

(d) No Continuing Obligations of New ATA.

Notwithstanding anything to the contrary in the Plan, New ATA shall have no continuing obligations or duties after the Effective Date to the Plan Trustee or the Unsecured Creditor Trustee and with respect to any actions to be taken or consummated under the Plan, unless otherwise required under the Purchase Agreement.

6.3 Purchase of New Membership Interest by Buyer.

If the Purchase Agreement is closed on the Effective Date, the Reorganized Debtor shall, on the Effective Date, issue to Buyer the New Membership Interest free and clear of all Liens, Claims and other interests in exchange for the purchase price specified in the Purchase Agreement.

6.4 Selection of Plan Trustee.

On or before the Voting Deadline, the Debtor and JPMorgan shall nominate a candidate to serve as Plan Trustee under the Plan Trust and shall file with the Bankruptcy Court a disclosure identifying and setting forth the terms of the fee arrangement with such candidate. At the Confirmation Hearing, the Court shall approve such candidate for Plan Trustee and the fee arrangement and such candidate shall thereafter serve as Plan Trustee upon execution of the Plan Trust Agreement at Closing.

6.5 Selection of Unsecured Creditor Trustee.

On or before the Voting Deadline, the Committee, the Unions, and Batman shall jointly nominate a candidate to serve as Unsecured Creditor Trustee and shall file with the Bankruptcy Court a disclosure identifying and setting forth the terms of the fee arrangement with such candidate. In the event the nomination is not made by the Committee, the Unions and Batman by the Voting Deadline, then the Debtor may make such nomination independently. At the Confirmation Hearing, the Court shall approve such candidate for Unsecured Creditor Trustee and the fee arrangement and such candidate shall thereafter serve as Unsecured Creditor Trustee on the Effective Date.

6.6 The Closing.

The Closing of the transactions required and contemplated under the Plan shall take place on the Closing Date at the offices of Haynes and Boone, LLP, 1221 Avenue of the Americas 26th Floor, New York, NY 10020, or at such other place identified in a notice provided to those parties listed in section 14.2 of the Plan. The Debtor may reschedule the Closing by making an announcement at the originally scheduled Closing of the new date for the Closing. A notice of the rescheduled Closing shall be filed with the Bankruptcy Court and served on the parties identified in section 14.2 of the Plan within two (2) days after the originally scheduled Closing.

6.7 Transactions at Closing.

The following shall occur at or before the Closing, and shall be effective as of the Closing Date:

(a) Execution and Closing of the Purchase Agreement.

The Debtor and all other parties to the Purchase Agreement shall consummate all transactions required to occur at the closing under the Purchase Agreement. To the extent the Confirmation Order authorizes the execution and consummation of the Purchase Agreement:

(i) The Debtor and the Buyer shall execute the Purchase Agreement;

(ii) At the Closing, upon payment of the purchase price under the Purchase Agreement, Debtor shall deliver to the Buyer a certificate evidencing the New Membership Interest to be issued by New ATA to the Buyer, registered in the Buyer's or its nominee's name; and

(iii) The purchase price under the Purchase Agreement shall be paid by
(a) application of the deposit (as defined in the Purchase Agreement), together with all interest earned thereon in accordance with the Purchase Agreement, and
(b) a wire transfer of immediately available funds in the amount of the purchase price less the amounts applied in (a) above.

(b) Execution and Ratification of Trust Agreements.

The Plan Trust Agreement and the Creditor Trust Agreement shall be executed by all necessary parties thereto. Each holder of a Claim shall be deemed to have ratified and become bound by the terms of the respective Plan Trust Agreement and the Unsecured Creditor Trust Agreement applicable to its Claim.

(c) Transfer of Plan Trust Assets.

All property of the Debtor constituting the Plan Trust Assets shall be conveyed and transferred by the Debtor to the Plan Trust, free and clear of all interests, Claims, Liens and encumbrances except as provided in sections 4.3(c), 4.4(c), 4.5(c), and 4.6(c) of the Plan.

(d) Transfer of Unsecured Creditor Trust Assets.

All property of the Debtor consisting of the Unsecured Creditor Trust Assets shall be conveyed and transferred by the Debtor to the Unsecured Creditor Trust, free and clear of all interests, Claims, Liens and encumbrances.

(e) Establishment of Accounts.

At the Closing, the Plan Trustee shall establish the Plan Trust Account. At the Closing, the Unsecured Creditor Trustee shall establish the Labor Settlement Account and the Unsecured Creditor Account.

(f) Establishment of Reserves.

At the Closing, the Plan Trustee shall establish, out of Plan Trust Assets, the Priority Claims Fund, the Plan Operating Reserve, and the Professional Compensation Claim Fund. At Closing, the Unsecured Creditor Trustee shall establish the Labor Settlement Fund by depositing the Labor Settlement Fund into the Labor Settlement Account and shall establish the Unsecured Settlement Fund by depositing the Unsecured Settlement Fund into the Unsecured Creditor Account

(g) Execution of Documents and Corporate Action.

The Debtor shall deliver all documents and perform all actions reasonably contemplated with respect to implementation of the Plan. The Plan Trustee, or each, as applicable, chief operating officer, chief restructuring officer, senior vice president, vice president, or their respective designees of the Debtor are authorized (i) to execute on behalf of the Debtor, in a representative capacity and not individually, any documents or instruments after the Confirmation Date or at the Closing that may be necessary to consummate the Plan and (ii) to undertake any other action on behalf of the Debtor to consummate the Plan. Each of the matters provided for under the Plan involving the corporate structure of the Debtor or corporate action to be taken by or required of any Debtor will, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized, approved, and (to the extent taken before the Effective Date) ratified in all respects without any requirement of further action by stockholders, creditors, or directors of the Debtor.

(h) Amendment of the Debtor's Governance Documents.

The Debtor's articles of incorporation and bylaws (or analogous governance documents) shall, to the extent required under 11 U.S.C. § 1123(a)(6), be amended consistent with the Plan and all necessary action shall be taken to:

(i) prohibit the issuance of nonvoting equity securities, and providing, as to the several classes of securities possessing voting power, an appropriate distribution of such power among such classes, including, in the case of any class of equity securities having a preference over another class of equity securities with respect to dividends, adequate provisions for the election of directors representing such preferred class in the event of default in the payment of such dividends; and

(ii) provide for such provisions, terms, and conditions necessary to comply, conform with, and implement the terms, conditions, and requirements of the Plan.

(i) Surrender of Instruments.

Each Claimholder holding a certificate or instrument evidencing a Claim against the Debtor or Estate Property and whose Claim is treated under the Plan shall surrender such certificate or instruments to the Plan Trustee or the Unsecured Creditor Trustee (as applicable) on the Effective Date as a prerequisite to receiving any Distribution under the Plan, unless the non-availability of such certificate or instrument is established to the satisfaction of the applicable party.

6.8 Section 1145 Determination.

Confirmation of the Plan shall constitute a determination, in accordance with section 1145 of the Bankruptcy Code, that except with respect to an entity that is an underwriter as defined in section 1145(b) of the Bankruptcy Code, section 5 of the Securities Act of 1933 and any State or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, broker or dealer in, a security, do not apply to the offer, sale, or issuance of any securities under the Plan of the New Equity Interest, the New Membership Interest, the Plan Trust Assets, the Unsecured Creditor Trust Assets, or the Beneficial Interests in exchange for Claims against the Debtor.

6.9 Tax Treatment of the Plan Trust and the Unsecured Creditor Trust.

The Unsecured Creditor Trust established pursuant to the Plan is established for the purpose of satisfying claims by liquidating the Unsecured Creditor Trust Assets transferred to the trust and the trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the trusts. The purpose of the Unsecured Creditor Trust is to provide a mechanism for the liquidation of the Unsecured Creditor Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Unsecured

Creditor Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Unsecured Creditor Trust other than those associated with or related to the liquidation of the Unsecured Creditor Trust Assets. It is intended that the Unsecured Creditor Trust be classified for federal income tax purposes as a “liquidating trust” within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties and Beneficiaries shall treat the transfers in trust described herein as transfers to the Beneficiaries for all purposes of the Internal Revenue Code of 1986, as amended (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties and Beneficiaries shall treat the transfers in trust as if all the transferred assets, including all the Unsecured Creditor Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Unsecured Creditor Trust. The Beneficiaries shall be treated for all purposes of the Internal Revenue Code of 1986, as amended, as the grantors of the Unsecured Creditor Trust and the owners of the Unsecured Creditor Trust. The Unsecured Creditor Trustee shall file returns for the Unsecured Creditor Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). All parties, including the Beneficiaries and the Unsecured Creditor Trustee shall value the Unsecured Creditor Trust Assets consistently and such valuations shall be used for all federal income tax purposes.

The Plan Trust established pursuant to the Plan is established for the purpose of satisfying claims by liquidating the Plan Trust Assets transferred to the trust and the trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the trusts. The purpose of the Plan Trust is to provide a mechanism for the liquidation of the Plan Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Plan Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Plan Trust other than those associated with or related to the liquidation of the Plan Trust Assets. It is intended that the Plan Trust be classified for federal income tax purposes as a “liquidating trust” within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties and Beneficiaries shall treat the transfers in trust described herein as transfers to the Beneficiaries for all purposes of the Internal Revenue Code of 1986, as amended (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties and Beneficiaries shall treat the transfers in trust as if all the transferred assets, including all the Plan Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Plan Trust. The Beneficiaries shall be treated for all purposes of the Internal Revenue Code of 1986, as amended, as the grantors of the Plan Trust and the owners of the Plan Trust. The Plan Trustee shall file returns for the Plan Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). All parties, including the Beneficiaries and the Plan Trustee shall value the Plan Trust Assets consistently and such valuations shall be used for all federal income tax purposes.

6.10 Settlement and Compromise.

Pursuant to section 1123(b)(3) of the Bankruptcy Code, the Plan incorporates a compromise and settlement, and (to the extent necessary) constitutes a motion under Bankruptcy Rule 9019 to approve the Global Settlement.

6.11 Termination of the Committee.

The appointment and operation of the Committee shall terminate on the Closing Date. The dissolution or termination of the Committee shall not prejudice the rights of any agents of the Committee (including their Professionals and Committee members) to pursue their separate claims for compensation and reimbursement of expenses, including Professional Compensation Claims under Bankruptcy Code sections 330, 331, and/or 503(b)(3)(F). On the Effective Date, the Oversight Committee shall be established to review the activities and performance of and advise the Unsecured Creditor Trustee as set forth in the Unsecured Creditor Trust Agreement.

ARTICLE 7 VESTING OF PROPERTY

7.1 Vesting of Property.

On the Effective Date and, in accordance with the Plan, the Debtor shall irrevocably transfer the Plan Trust Assets to the Plan Trust and the Unsecured Creditor Trust Assets to the Unsecured Creditor Trust for the benefit of holders of Beneficial Interests, and if the Purchase Agreement is not consummated in accordance with the Plan, then the Retained Assets shall vest in the Reorganized Debtor free and clear of all Liens, Claims, interests and encumbrances.

ARTICLE 8 DISCHARGE; RELEASE AND EXTINGUISHMENT OF LIENS, CLAIMS, INTERESTS AND ENCUMBRANCES; EXCULPATION

8.1 Discharge of Debtor.

Except as provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Equity Interests under the Plan are in exchange for and in complete satisfaction, discharge, and release of, all Claims against the Debtor or Estate Property (including the Retained Assets, the Plan Trust Assets and the Unsecured Creditor Trust Assets) and termination of all Equity Interests. Except as provided in the Plan or the Confirmation Order, on the Effective Date: (a) the Debtor, Reorganized Debtor and New ATA shall be discharged from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (i) a proof of claim based on such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (ii) a Claim based on such debt is Allowed under section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) all Equity Interests and other rights of Equity Interests in the Debtor shall be terminated, except for the New Equity Interest as expressly provided in the Plan. Except as otherwise provided in the Plan, the Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtor arising before the Effective Date. Pursuant to Bankruptcy Code section 524, the discharge granted under this section shall avoid any judgment against the Debtor at any time obtained (to the extent it relates to a discharged Claim), and operates as an injunction against the prosecution of any action against the Debtor, Estate Property, the Reorganized Debtor, New ATA, the Retained Assets, the Plan Trust Assets and the Unsecured Creditor Trust Assets (to the extent such action related to a discharged claim).

8.2 Releases.

(a) Employee Claim Release.

Except as otherwise provided for in the Plan, on the Effective Date, ATA, the Affiliates, each of the Lenders, the Administrative Agent, and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals shall be released from all Employee Claims and any other Claims that have been or could have been asserted by the Unions and Batman in the WARN Adversaries. The foregoing release shall not be deemed to release any claims of the Unions or Batman with respect to employee medical Claims under applicable plans, payment for which has been previously authorized by the Bankruptcy Court, and any issues concerning the flexible spending account against parties other than each of the Lenders, the Administrative Agent, ATA, the Affiliates, and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals.

(b) Lender Release.

Except as otherwise provided for in the Plan, on the Effective Date, the Debtor, the Administrative Agent, and the Lenders shall release each other, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals (such parties in the case of the Debtor, the "Debtor Related Parties") (and, in the case of each of the Lenders and the as Administrative Agent, their respective shareholders, members, managers, partners (limited or general), principals, and affiliates) from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case (including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the Term Loan Agreement and related loan documents, including any such claims or causes of action that any holder of a Claim or Equity Interest would have been legally entitled to assert on behalf of the Debtor or its bankruptcy estate; provided, however, the foregoing releases shall not operate as a waiver or release of (a) the Allowed Lender Secured Claims and Lender Recoveries; (b) any claims, rights, or causes of action of the Lenders and/or the Administrative Agent, against any of the Affiliates or any other Released Party (as defined below, but excluding the Debtor and the Debtor Related Parties constituting a Released Party, subject to preservation of the Allowed Lender Secured Claims and Lender Recoveries as provided above in subclause (a)) under the Term Loan Agreement and related loan documents or otherwise; or (c) any claims, rights, or causes of action of any Affiliate against the Administrative Agent, the Lenders, and each of their respective officers, directors, employees, insurers, attorneys, advisors, professionals, shareholders, members, managers,

partners (limited or general) principals, and affiliates under the Term Loan Agreement and related loan documents or otherwise.

(c) Affiliate Release.

Except as otherwise provided for in the Plan, on the Effective Date, the Debtor and the Affiliates shall release each other, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals, including in each such person's capacity as an officer, director, employee, insurer, attorney, advisor, or professional of or to ATA (and, in the case of each of the Affiliates their respective shareholders, members, managers, partners (limited or general), principals, and affiliates), and any entity claimed to be liable derivatively through any of the foregoing parties (each such party, a "Released Party") from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case (including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the ownership, management, and operation of the Debtor, including any such claims or causes of action that any holder of a Claim or Equity Interest would have been legally entitled to assert on behalf of the Debtor or its bankruptcy estate; provided, however, the foregoing release shall not operate as a waiver or release of (a) the Allowed Other Secured Claim granted to GAL under section 11.4 of the Plan; (b) the Affiliate Avoidance Actions to be controlled by the Lenders; (c) any claims, rights or causes of action of the Lenders and/or the Administrative Agent, against any of the Affiliates or any other Released Party (excluding the Debtor and the Debtor Related Parties constituting a Released Party, subject to preservation of the Lender Claims and Lender Recoveries as provided in section 8.2(b)) under the Term Loan Agreement and related loan documents or otherwise; or (d) any claims, rights, or causes of action of any Affiliate against the Administrative Agent, and the Lenders, and each of their respective officers, directors, employees, insurers, attorneys, advisors, professionals, shareholders, members, managers, partners (limited or general), principals, and affiliates under the Term Loan Agreement and related loan documents or otherwise

(d) Officer and Director Release.

Except as otherwise provided for in the Plan, on the Effective Date, each of (i) the Debtor; (ii) the Administrative Agent, and the Lenders; (iii) the Affiliates; and (iv) the Committee, as applicable, shall be deemed to have released the Debtor's officers and directors (solely in their respective capacities as officers and directors of the Debtor) and their professionals, from any and all claims, causes of actions, and other liabilities accruing on or before the Effective Date, and arising from or relating to any actions taken or not taken in connection with the decision to file bankruptcy on behalf of the Debtor, the shutdown of the Debtor's operations, the winddown and operation of the Debtor during chapter 11, the administration of the Bankruptcy Case, the negotiation and implementation

of the Global Settlement and the Plan, confirmation of the Plan, consummation of the Plan (including all distributions thereunder), the administration of the Plan, and the property to be distributed under the Plan.

(e) Creditor Release.

Except as otherwise provided for in the Plan, effective on the Effective Date, each holder of a Claim who is not (a) a Lender, (b) GAL, or (c) any of GAL's subsidiaries and who votes in favor of the Plan or accepts a distribution under the Plan shall be conclusively presumed to have released GAL and its subsidiaries (other than the Debtor), the Administrative Agent, and the Lenders, and their respective officers, directors, employees, insurers, attorneys, advisors, and professionals from any and all actions, causes of action, liabilities, obligations, rights, suits, accounts, covenants, contracts, agreements, promises, damages, judgments, claims, debts, remedies and demands, whatsoever, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, now existing or hereafter arising, in law, at equity or otherwise, based in whole or in part on any act, transaction, omission or other event occurring before the commencement of the Bankruptcy Case or during the course of the Bankruptcy Case (including through the Effective Date), in any way relating to the Debtor, the Bankruptcy Case, or the ownership, management, and operation of the Debtor; provided, however, such release shall not operate as a waiver or release of any such claims or causes of action related to or arising under any guaranty made by GAL or any of its subsidiaries.

(f) Execution of Releases.

At the closing the parties to the releases specified in section 8.2(a)-(d) of the Plan shall execute written release agreements in accordance with the terms and requirements of section 8.2(a)-(d).

8.3 Exculpation.

On the Effective Date, each of (i) the Debtor and its officers and directors (solely in their respective capacities as officers and directors of the Debtor); (ii) the Debtor's attorneys, advisors and other professionals; (iii) the Administrative Agent, the Lenders and their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives and professionals; (iv) the Affiliates and any of their respective affiliates, shareholders, officers, directors, members, managers, partners (limited or general), principals, employees, insurers, attorneys, advisors, representatives, and professionals; (v) the Unions and their attorneys; (vi) the Committee and its members, attorneys, advisors and other professionals; (vii) the Batman Plaintiffs and their attorneys, advisors and other professionals; and (viii) Wilmington Trust Company solely in its capacity as loan trustee, indenture trustee and subordination agent for the ATA 1996-1 Series EETC and its attorneys, advisors and other professionals shall have no liability to any holder of a Claim or Equity Interest or to any other person for any action taken or not taken in connection with the decision to file a bankruptcy petition on behalf of the Debtor, the shutdown of the Debtor's operations, the winddown and operation of the Debtor during chapter 11, the

administration of the Bankruptcy Case, the negotiation and implementation of the Global Settlement and the Plan, confirmation of the Plan, consummation of the Plan (including all Distributions hereunder), the administration of the Plan, and the property to be distributed under the Plan (except as to rights, obligations, duties, and Claims established under the Plan). In all such instances, such parties shall be and have been entitled to reasonably rely on the advice of counsel with respect to their duties and responsibilities in connection with the Bankruptcy Case and under the Plan. Any and all Claims, causes of actions, rights, or any liabilities described above held by any person or party in interest against the foregoing parties listed in subsections (i)-(vi) above are fully waived, barred, released, and discharged in all respects (except as to rights, obligations, duties, and claims established under the Plan). Nothing contained in this section shall operate as a release, waiver, or discharge of any Claim, cause of action, right, or other liability against members of the Committee in any capacity other than as a member of the Committee.

ARTICLE 9

INJUNCTION AGAINST ENFORCEMENT OF PRECONFIRMATION CLAIMS AND EQUITY INTERESTS

9.1 Injunction Enjoining Holders of Claims Against and Equity Interests in Debtor.

Except as otherwise expressly provided in the Plan, after the Effective Date, all Persons who have been, are, or may be holders of Claims against or Equity Interests in the Debtor arising on or before the Effective Date shall be enjoined from taking any of the following actions against or affecting the Debtor, the Reorganized Debtor, New ATA, the Estate, the Estate Property, the Plan Trust Assets, the Unsecured Creditor Trust Assets and the Retained Assets regarding such Claims or Equity Interests (other than actions brought to enforce any rights or obligations under the Plan) to the fullest extent provided under Bankruptcy Code section 524:

(i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind against the Debtor, its Estate, the Estate Property, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor and New ATA (including, all suits, actions, and proceedings that are pending on the Effective Date, which shall be deemed withdrawn and dismissed with prejudice);

(ii) enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means, directly or indirectly, any judgment, award, decree, or order against the Debtor, the Reorganized Debtor, New ATA, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor, and their respective property, including, without limitation, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets and the Estate Property;

(iii) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtor, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor, New ATA, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets and the Estate Property;

(iv) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien against the Debtor, the Plan Trust, the Unsecured Creditor Trust, the Reorganized Debtor, New ATA, the Plan Trust Assets, the Unsecured Creditor Trust Assets, the Retained Assets and the Estate Property; and

(v) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

9.2 Derivative Litigation Claims.

On and after the Effective Date, all Derivative Litigation Claims, except as otherwise released under the Plan, regardless of whether pending on the Petition Date, shall become a Plan Trust Asset. All named plaintiffs (including certified and uncertified classes of plaintiffs) in any actions pending on the Effective Date relating to any Derivative Litigation Claims and their respective servants, agents, attorneys, and representatives shall, on and after the Effective Date, be permanently enjoined, stayed, and restrained from pursuing or prosecuting any Derivative Litigation Claim. Nothing herein shall impair claims or causes of action that any Person may have directly (as opposed to derivatively) against any other Person.

ARTICLE 10 EVENTS OF DEFAULT

10.1 Events of Default.

An event of default shall occur if the Plan Trustee and/or the Unsecured Creditor Trustee or any other Person takes any action, fails to take any action, or fails to refrain from taking an action prevented, required, or otherwise set forth in the Plan, the Plan Trust Agreement and/or the Unsecured Creditor Trust Agreement.

10.2 Remedies for Defaults.

Subject to Bankruptcy Code section 1112, should an event of default occur by the Plan Trustee and/or the Unsecured Creditor Trustee, the Oversight Committee or any other Person, at least one other party-in-interest must provide written notice of the default to the defaulting party and serve copies of the notice to all parties identified in section 14.2 of the Plan. If the default is not cured within ten (10) days after service of the notice of default, the notifying party may present an *ex parte* order to the Bankruptcy Court setting a date and time when the defaulting party must appear before the Bankruptcy Court and show cause why it should not be held in contempt of the Confirmation Order. If the defaulting party is found to be in default of the Plan, the Bankruptcy Court shall:

(i) assess the costs of the Plan Trustee and/or the Unsecured Creditor Trustee or other party-in-interest of proceeding on the order to show cause against the defaulting party, such costs to be the greater of the actual amounts incurred or \$15,000; and

(ii) designate a person, including the Plan Trustee and/or the Unsecured Creditor Trustee, to appear, sign, and/or accept on behalf of the defaulting party the documents required under the Plan in accordance with Federal Rule of Civil Procedure 70, or enter such other order compelling compliance with the Plan that may be necessary and that does not materially alter the terms of the Plan as confirmed.

ARTICLE 11 RESOLUTION OF CLAIMS

11.1 Right to Object to Claims.

The Unsecured Creditor Trustee on behalf of the Unsecured Creditor Trust shall have the right but not the obligation to examine and object to Class 4 General Unsecured Claims. The Unsecured Creditor Trustee shall be substituted for the Debtor as the objecting party with respect to objections to Class 4 General Unsecured Claims pending on the Confirmation Date, if any, and shall have the right to continue prosecuting existing objections to the allowance of Class 4 General Unsecured Claims.

The Plan Trustee shall have the right, but not the obligation, to object to any Claims other than Class 4 General Unsecured Claims.

Notwithstanding the foregoing, any Claim held by a Creditor who is the subject of an Avoidance Action filed by the Unsecured Creditor Trustee shall be deemed objected to automatically without compliance with the objection procedures and Claim Objection Deadline outlined in Article 11. Pursuant to section 502(d) of the Bankruptcy Code, any Claim of a Creditor from which property is recoverable under sections 542, 543, 550 or 553 or that is the subject of a filed Avoidance Action shall be deemed disallowed unless and until such Creditor has paid the amount or turned over such property for which such Creditor is liable under section 522(i), 542, 543, 550 or 553 of the Bankruptcy Code

11.2 Deadline for Objecting to Claims.

Objections to Claims must be filed with the Bankruptcy Court, and a copy of the objection must be served on the subject Claimant(s) before the expiration of the Claim Objection Deadline (unless such period is further extended by subsequent orders of the Bankruptcy Court); otherwise such Claims shall be deemed allowed in accordance with Bankruptcy Code section 502. The objection shall notify the Claimholder of the deadline for responding to such objection.

11.3 Deadline for Responding to Claim Objections.

Within thirty (30) days after service of an objection, the Claimholder whose Claim was objected to must file a written response to the objection with the Bankruptcy Court and serve a copy on the respective Plan Trustee or the Unsecured Creditor Trustee and the parties identified in section 14.2 of the Plan. Failure to file a written response within the 30-day time period shall constitute a waiver and release of that portion of the subject Claim that was subject to the objection, and shall cause the Bankruptcy Court to enter a default judgment against the non-responding Claimholder or granting the relief requested in the claim objection.

11.4 Right to Request Estimation of Claims.

Pursuant to section 502(c) of the Bankruptcy Code, the Debtor, the Plan Trustee and the Unsecured Creditor Trustee may request estimation or liquidation of any Disputed Claim that is contingent or unliquidated or any Disputed Claim arising from a right to an equitable remedy or breach of performance.

11.5 Release of Certain Claims.

As of the Effective Date, all Affiliate Claims asserted against the Debtor shall be deemed released and waived pursuant to the Global Settlement; provided however, GAL shall be deemed to hold an Allowed Other Secured Claim under Bankruptcy Code section 506(a) in an amount equal to the amount of any insurance premium refund received by GAL that gives rise to a valid setoff right against Debtor. Such Allowed Other Secured Claim shall be satisfied by the retention of any Cash received by GAL giving rise to the valid setoff right.

As of the Effective Date, any Lender Deficiency Claim against the Debtor shall be deemed released and waived pursuant to the Global Settlement.

ARTICLE 12 RETENTION, ENFORCEMENT, COMPROMISE, OR ADJUSTMENT OF CLAIMS BELONGING TO THE ESTATE

12.1 Right to Enforce, Compromise, or Adjust Estate Claims.

The Plan Trustee shall have and retain the sole and full power, authority, and standing to prosecute, compromise, or otherwise resolve any Rights of Action. All proceeds derived from such Rights of Action shall constitute Plan Trust Assets. The Unsecured Creditor Trustee shall have and retain the sole and full power, authority, and standing to prosecute, compromise, or otherwise resolve the Preference Actions.

12.2 Substitution of Plan Trustee as Plaintiff.

As of the Effective Date, the Plan Trustee shall be substituted as Plaintiff for the Debtor in the FedEx Litigation and in any other pending litigation regarding Rights of Action brought by the Debtor.

12.3 Dismissal of Second Circuit Grievance Litigation.

As of the Effective Date, the Second Circuit Grievance Litigation, including Appeal, shall be dismissed with prejudice by the parties thereto and no later than ten (10) days after the Effective Date, such parties shall complete any and all actions necessary, including the filing of papers and pleadings with the appropriate tribunal, to consummate and effect the dismissal with prejudice.

12.4 Dismissal of WARN Adversaries.

As of the Effective Date, the WARN Adversaries shall be dismissed with prejudice by the parties thereto and no later than ten (10) days after the Effective Date, such parties shall complete any and all actions necessary, including the filing of papers and pleadings with the appropriate tribunal to consummate and effect the dismissal with prejudice.

ARTICLE 13 RETENTION OF JURISDICTION

13.1 Retention of Jurisdiction.

The Bankruptcy Court, even after the Bankruptcy Case has been closed, shall have jurisdiction over all matters arising under, arising in, or relating to the Bankruptcy Case, including proceedings to:

- (a) ensure that the Plan is fully consummated and implemented;
- (b) enter such orders that may be necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and all contracts, instruments, releases, indemnifications, indentures, and other agreements or documents created in connection with the Plan or the Disclosure Statement;
- (c) consider any modification of the Plan under Bankruptcy Code section 1127;
- (d) hear and determine all Claims, controversies, suits, and disputes against the Debtor to the full extent permitted under 28 U.S.C. sections 157 and 1334;
- (e) allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any and all objections to the allowance or priority of Claims;
- (f) hear, determine, and adjudicate any litigation involving the Rights of Action, Avoidance Actions, other claims or causes of action constituting Estate Property and other suits and adversary proceedings to recover property and assets of the Plan Trust or the Unsecured Creditor Trust (in each case, as successors-in-interest to the Debtor) wherever located, and to adjudicate any and all other Rights of Actions, Avoidance Actions, suits, adversary proceedings, motions, applications, and contested matters that may be commenced or maintained in the Bankruptcy Case or pursuant to the Plan, proceedings to adjudicate the Disputed Claims, and all controversies and issues arising from or relating to any of the foregoing;
- (g) decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any motions or applications involving the Debtor that are pending on or commenced after the Effective Date;

(h) resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of the Plan, or any entity's obligations incurred in connection with the Plan, or any other agreements governing, instruments evidencing, or documents relating to any of the foregoing, including the interpretation or enforcement of any rights, remedies, or obligations under any of the foregoing;

(i) hear and determine all controversies, suits, and disputes that may arise out of or in connection with the enforcement of any subordination and similar agreements among Creditors under Bankruptcy Code section 510;

(j) hear and determine all Professional Compensation Claims and all other requests for compensation and/or reimbursement of expenses that may be made for fees and expenses incurred before the Closing Date;

(k) enforce any Final Order, the Confirmation Order, the final decree, and all injunctions contained in those orders;

(l) enter an order concluding and terminating the Bankruptcy Case;

(m) correct any defect, cure any omission, or reconcile any inconsistency in the Plan, or the Confirmation Order, or any other document or instruments created or entered into in connection with the Plan;

(n) determine all questions and disputes regarding title to the Estate Property;

(o) classify the Claims of any Claimholders and the treatment of those Claims under the Plan, re-examine Claims that may have been allowed for purposes of voting, and determine objections that may be filed to any Claims;

(p) take any action described in the Plan involving the Debtor;

(q) enforce, by injunction or otherwise, the provisions contained in the Plan, the Confirmation Order, any final decree, and any Final Order that provides for the adjudication of any issue by the Bankruptcy Court;

(r) enter and implement such orders that are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

(s) hear, determine and adjudicate any motions, contested or litigated motions brought pursuant to Bankruptcy Code section 1112; and

(t) enter a final decree as contemplated by Bankruptcy Rule 3022;

(u) hear, determine and adjudicate any and all objections to Claims brought by the Plan Trustee and the Unsecured Creditor Trustee.

ARTICLE 14
MISCELLANEOUS PROVISIONS

14.1 Confirmation Order.

The Confirmation Order shall contain all injunctions and other orders that may be necessary to implement the Plan. To the extent necessary, the Confirmation Order shall contain any provisions necessary to provide for the substantial consummation of the Plan on the Effective Date.

14.2 Notices.

Except as otherwise specifically provided for in the Plan, whenever the Plan requires notice be given, such notice shall be given to the following parties at their respective addresses, unless a prior notice of change of address has been served on the parties identified in this section indicating a new address:

The Debtor:

Haynes and Boone, LLP
1221 McKinney, Suite 2100
Houston, Texas 77010
Facsimile No.: (713) 236-5490
Attn: Kenric D. Kattner

The Official Committee of Unsecured Creditors:

Ottberbourg, Steindler, Houston & Rosen, P.C.
230 Park Avenue
New York, New York 10169
Attn: Steven B. Soll

JPMorgan

Simpson Thacher & Bartlett, LLP
425 Lexington Avenue
New York, New York 10117
Attn: Kathrine A. McLendon

The Buyer

Baker & McKenzie LLP
One Prudential Plaza, Suite 3600
130 East Randolph Drive
Chicago, Illinois 60601
Attn: David F. Heroy

14.3 Dates.

The provisions of Bankruptcy Rule 9006 shall govern the calculation of any dates or deadlines referenced in the Plan.

14.4 Further Action.

Nothing contained in the Plan shall prevent the Debtor from taking any actions that may be necessary to consummate the Plan, even though such actions may not specifically be provided for in the Plan.

14.5 Exhibits.

All exhibits attached to the Plan and Plan Documents are incorporated in the Plan by reference and are an integral part of the Plan as though fully set forth herein.

14.6 Exemption from Transfer Taxes.

Under Bankruptcy Code section 1146(c), the issuance, transfer, or exchange of a security, or the making or delivery of an instrument of transfer under the Plan, shall not be taxed under any law imposing a stamp tax or similar tax; including, without limitation, the issuance of the New Equity Interest and the New Membership Interest shall not be taxed under any law imposing a stamp tax or similar tax.

14.7 Binding Effect.

The Plan shall be binding on, and inure to the benefit of, the Debtor, the Committee, the holders of Claims and Equity Interests, and their respective successors, heirs, and assigns, regardless of whether those parties voted to accept the Plan.

14.8 Governing Law.

Except to the extent that the Bankruptcy Code, Bankruptcy Rules, or other non-bankruptcy federal law are applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to any conflicts of law principles.

14.9 Headings.

Headings are used in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

14.10 Withdrawal or Revocation of the Plan.

The Debtor reserves the right to revoke or withdraw the Plan before the Confirmation Date. If the Debtor revokes or withdraws the Plan, then the Plan shall be null and void, and

nothing contained in the Plan shall constitute a waiver or release of any Claims, or prejudice in any manner the rights of the Debtor or any other Person.

14.11 Reservation of Rights.

Neither the filing of the Plan nor any statement or provision contained in the Plan or in the Disclosure Statement, nor the taking of any action with respect to the Plan, shall (i) be or be deemed to be an admission against interest by the Debtor and (ii) until the Effective Date, be or be deemed to be a waiver of any rights the Debtor may have (a) against any other person or (b) in any of the property and assets of any other Person, and, until the Effective Date, all such rights are specifically reserved.

14.12 Defects, Omissions, and Amendments.

The Debtor may, with the approval of the Bankruptcy Court and without notice to holders of Claims, insofar as it does not materially and adversely affect holders of Claims, correct any defect, omission, or inconsistency in the Plan in such a manner and to such extent necessary or desirable to expedite the execution of the Plan. The Debtor may, with the consent of JPMorgan, the Committee, the Unions and Batman, propose amendments or alterations to the Plan before the Confirmation Hearing as provided in Bankruptcy Code section 1127 if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely affect the interests of holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123 and the Debtor have complied with Bankruptcy Code section 1125. The Debtor may, with the consent of JPMorgan, the Unsecured Creditor Trustee and the Plan Trustee, propose amendments or alterations to the Plan after the Confirmation Date but prior to substantial consummation, in a manner that, in the opinion of the Bankruptcy Court, does not materially and adversely affect holders of Claims, so long as the Plan, as modified, complies with Bankruptcy Code sections 1122 and 1123, the Debtor have complied with Bankruptcy Code section 1125, and after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy Code section 1129.

14.13 Good Faith.

Confirmation of the Plan shall constitute a finding that (i) the Plan has been proposed in good faith and in compliance with the provisions of the Bankruptcy Code and (ii) the solicitation of acceptances or rejections of the Plan by all Persons and the offer, issuance, sale, or purchase of any security offered or sold under the Plan has been in good faith and in compliance with applicable provisions of the Bankruptcy Code.

ARTICLE 15 SUBSTANTIAL CONSUMMATION

15.1 Substantial Consummation.

The Plan shall be deemed substantially consummated immediately on the completion of the principal actions required to be undertaken at the Closing as provided in section 6.6 of the Plan.

15.2 Final Decree.

Following substantial consummation, the Plan Trustee may request the Bankruptcy Court to enter a final decree closing the case and such other orders that may be necessary and appropriate.

ARTICLE 16 CONDITIONS TO CONFIRMATION AND EFFECTIVENESS OF THE PLAN

16.1 Conditions Precedent to Confirmation.

The following are conditions precedent to confirmation of the Plan that shall be satisfied or waived in writing in accordance with section 16.3 of the Plan:

(a) The Bankruptcy Court shall have approved a disclosure statement with respect to the Plan in form and substance acceptable to the Debtor, JPMorgan, the Committee, the Unions, Batman and GAL; and

(b) The Confirmation Order, the Plan and the Plan Documents shall be in form and substance acceptable to the Debtor, JPMorgan, the Committee, the Unions, Batman and GAL.

16.2 Conditions Precedent to Effectiveness.

The following are conditions precedent to the occurrence of the Effective Date, each of which shall be satisfied or waived in writing in accordance with section 16.3 of the Plan:

(a) The Confirmation Order that complies with section 16.1 of the Plan shall not be stayed.

(b) All actions, documents, and agreements necessary to implement the Plan and all transactions described in section 6.6 of the Plan, other than consummation of the Purchase Agreement, which is expressly not a condition precedent to occurrence of the Effective Date, shall have been effected or executed as applicable.

16.3 Waiver of Conditions to Confirmation or Consummation.

The conditions set forth in sections 16.1 and 16.2 of the Plan may be waived by the Debtor, with the consent of JPMorgan, the Committee, the Unions, Batman and GAL, without any notice to any other parties-in-interest or the Bankruptcy Court and without a hearing. The failure of any of the Debtor, JPMorgan, the Committee, the Unions, Batman and GAL in its or their sole discretion to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and such right shall be deemed an ongoing right, which may be asserted at any time.

[Signature Page Follows]

Dated: February 3, 2009

ATA AIRLINES, INC.

/s/ Steven S. Turoff

By: Steven S. Turoff

Its: Chief Restructuring Officer

EXHIBIT A TO THE CHAPTER 11 PLAN

GLOSSARY OF DEFINED TERMS

EXHIBIT A

GLOSSARY OF DEFINED TERMS

“Administrative Agent” means JPMorgan Chase Bank, N.A., in its capacity as such under the Term Loan Agreement.

“Administrative Claim” means a claim, cause of action, right, or other liability, or the portion thereof, that is entitled to priority under 11 U.S.C. §§ 503(b) and 507(a)(2), including (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the bankruptcy estate and/or in connection with operating the Debtor’s business (such as wages, salaries, or payments for goods and services); (b) compensation for legal, financial advisory, accounting and other services, and reimbursement of expenses awarded or allowed under 11 U.S.C. §§ 330(a) or 331; and (c) all fees and charges assessed against the bankruptcy estates under 28 U.S.C. § 1930.

“Administrative Claims Bar Date” means the first Business Day that is thirty (30) days after the Effective Date or such earlier deadline established by an order of the Bankruptcy Court.

“AFA” means the Association of Flight Attendants – CWA, the union representing the flight attendants employed by ATA.

“AFA Distribution” means 25.68% of: (a) the Labor Settlement Fund; (b) fifty percent (50%) of the Net Preference Recoveries; and (c) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“AFA Employee” means a former ATA employee who is a member of AFA and is listed on the AFA Employee Claim Register.

“AFA Employee Claim Register” means that certain schedule filed by the Debtor as a Plan Document and listing all AFA Employees and their respective Employee Claims.

“Affiliate” means GAL, and any GAL affiliates, including, but not limited to, New ATA Investment Inc., New ATA Acquisition Inc., World Air Holdings, Inc., North American Airlines, Inc., World Airways, Inc., World Risk Solutions, LTD., World Airways Parts Company, LLC, MatlinPatterson Global Opportunities Partners II, LP, MatlinPatterson Global Opportunities Partners (Cayman) II LP, MatlinPatterson Global Opportunities II-PV II LP, MatlinPatterson Global Partners II LLC, MatlinPatterson ATA Holdings LLC and MatlinPatterson Global Advisers LLC, but not including the Debtor.

“Affiliate Avoidance Actions” means any and all Avoidance Actions against any of the Affiliates.

“Affiliate Claim” means any Claim of an Affiliate against the Debtor.

“Allocable Unsecured Creditor Trust Operating Expenses” means all Unsecured Creditor Trust Operating Expenses other than (a) Preference Expenses, (b) Direct Class 1.1 Expenses, and (c) Direct Class 4 Expenses.

“Allowance Date” means (a) as to a Disputed Claim, the date on which such Disputed Claim becomes an Allowed Claim by Final Order; (b) as to a Claim Allowed by Final Order, the date on which the order allowing such Claim becomes a Final Order; and (c) as to any other Claim, the date on which such Claim became an Allowed Claim in accordance with the Plan.

“Allowed” means, with respect to a Claim or Equity Interest (both defined below), a Claim or Equity Interest allowable under 11 U.S.C. §502: (a) for which a proof of claim or proof of interest was filed on or before, as applicable, the General Bar Date, the Governmental Unit Bar Date, the Amended Schedules Bar Date or the Rejection Claim Bar Date and any other bar date with respect to a particular Claim established by the Bankruptcy Court pursuant to a Final Order, and as to which no objection or other challenge to allowance thereof has been filed, or if an objection or challenge has been timely filed, such Claim or Equity Interest is allowed by Final Order; (b) for which a proof of claim or proof of interest is not filed and that has been listed in the Debtor’s Schedules of Assets and Liabilities or Schedule of Equity Security Holders and is not listed as disputed, contingent, or unliquidated; or (c) that is deemed allowed under the Plan. For purposes of determining the amount of an Allowed Claim or Allowed Equity Interest, there shall be deducted therefrom the amount of any claim that the Debtor may hold against the Creditor or equity security holder under 11 U.S.C. § 553 or under the doctrine of recoupment.

“Allowed Claim” means any Claim that is Allowed.

“Allowed [...] Claim” means an Allowed Claim in the particular Class or category specified.

“Allowed [...] Equity Interest” means an Allowed Equity Interest in the particular Class or category specified.

“ALPA” means the Air Line Pilots Association International, the union representing the pilots employed by ATA.

“ALPA Distribution” means 50.83% of: (a) the Labor Settlement Fund; (b) fifty percent (50%) of the Net Preference Recoveries; and (c) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“ALPA Employee” means a former ATA employee who is a member of ALPA and is listed on the ALPA Employee Claim Register.

“ALPA Employee Claim Register” means that certain schedule filed by the Debtor as a Plan Document and listing all ALPA Employees and their respective Employee Claims.

“Amended Schedules Bar Date” means the first Business Day that is thirty (30) days after the date on which notice is given of an amendment to the Schedules of Assets and Liabilities.

“AMFA” means the Aircraft Mechanics Fraternal Association, the union representing the airline technicians and related employees employed by ATA.

“AMFA Distribution” means 3.06% of: (a) the Labor Settlement Fund; (b) fifty percent (50%) of the Net Preference Recoveries; and (c) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“AMFA Employee” means a former ATA employee who is a member of AMFA and is listed on the AMFA Employee Claim Register.

“AMFA Employee Claim Register” means that certain schedule filed by the Debtor as a Plan Document and listing all AMFA Employees and their respective Employee Claims.

“Appeal” means ALPA’s appeal of the Second Circuit Grievance Litigation to the United States Court of Appeals for the Second Circuit.

“ATA” means ATA, Airlines, Inc., a business incorporated in the State of Indiana.

“Avoidance Actions” means any causes of action arising under 11 U.S.C. §§ 506, 510, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, and 553 or comparable provisions of applicable non-bankruptcy law.

“Available Cash” means (i) with respect to the Plan Trust: Cash on deposit in the Plan Trust Account at any time less the Plan Trust Operating Reserve, the Priority Claim Fund and the Professional Compensation Claim Fund and (ii) with respect to the Unsecured Creditor Trust: Cash on deposit in the Unsecured Creditor Account at any time less the Unsecured Creditor Trust Operating Reserve.

“Ballot” means the ballot for voting to accept or reject the Plan.

“Bankruptcy Case” means the bankruptcy case commenced by the Debtor on April 2, 2008 by the filing of a voluntary chapter 11 petition in the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division, Case Number 08-03675-BHL-11 and styled *In re ATA Airlines, Inc.*

“Bankruptcy Code” means title 11 of the United States Code.

“Bankruptcy Court” means the United States Bankruptcy Court for the Southern District of Indiana, or, in the event that such court ceases to exercise jurisdiction over the Bankruptcy Case, such court that may have jurisdiction over the Debtor under chapter 11 of the Bankruptcy Code.

“Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedure.

“Batman” means Kevin Batman on behalf of himself and all other similarly situated non-unionized employees.

“Batman Distribution” means 19.39% of: (a) the Labor Settlement Fund; (b) fifty percent (50%) of the Net Preference Recoveries; and (c) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“Batman Employee” means a former ATA employee who (a) is not represented by, nor a member of, any of the Unions, and (b) does not opt out of the settlement class that has been approved under Fed. R. Civ. P. 23 in adversary proceeding 08-50208, pending in the Bankruptcy Court.

“Batman Employee Claim Register” means that certain schedule filed by the Debtor as a Plan Document and listing all Batman Employees and their respective Employee Claims.

“Batman Plaintiffs” means Kevin Batman, Jeffrey Armstrong, Sandra Cuevas, and Philip Maloney, identified as the plaintiffs in adversary proceeding 08-50208, pending in the Bankruptcy Court.

“Beneficial Interest” means with respect to either the Plan Trust or the Unsecured Creditor Trust, an interest that entitles the holder thereof to a Distribution in accordance with the respective Plan Trust Agreement or the Unsecured Creditor Trust Agreement.

“Beneficiary” means the holder of a Beneficial Interest, whether individually or as agent on behalf of other entities.

“Board of Directors” means an individual member and collectively all members of the Debtor’s board of directors at any time.

“Business Day” means any day other than a Saturday, Sunday, or a “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

“Buyer” means Southwest Airlines Co.

“Buyer LOI” means the bid proposal dated November 18, 2008, by and between the Buyer and ATA concerning the purchase and sale of the New Membership Interest.

“Cash” means lawful currency of the United States of America, wire transfer, certified check, cash equivalents and other readily marketable securities or instruments, including, without limitation, readily marketable direct obligations of the United States of America, and certificates of deposit issues by banks, including interest accrued or earned thereon.

“Cash Collateral” has the meaning prescribed in 11 U.S.C. § 363(a).

“Cash Collateral Agreement” means that certain Final Order of the Bankruptcy Court, entered May 14, 2008 (docket no. 372), authorizing the Debtor to use Cash Collateral pursuant to an agreement with the Administrative Agent and the Lenders.

“CBA” means the respective collective bargaining agreement that ATA entered into with each of the Unions and all amendments and modifications thereto.

“Claim” means a “claim,” as defined in 11 U.S.C. § 101(5), against the Debtor.

“Claim Objection Deadline” means the first Business Day that is 120 days after the Effective Date as may be extended by order of the Bankruptcy Court.

“Claimant or Claimholder” means the holder of a Claim.

“Class” means a category of Claims or Equity Interests as described in the Plan.

“Closing” means the closing of the transactions contemplated under the Plan to be conducted pursuant to the Plan.

“Closing Date” means the Effective Date or such other date identified in a notice filed with the Bankruptcy Court pursuant to the Plan.

“Committee” means the Official Committee of Unsecured Creditors appointed by the U.S. Trustee’s Office in the Bankruptcy Case as may be constituted from time to time.

“Confirmation Date” means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket in the Bankruptcy Case.

“Confirmation Hearing” means the hearing held by the Bankruptcy Court to consider confirmation of the Plan.

“Confirmation Hearing Date” means the date established by the Bankruptcy Court for the Confirmation Hearing.

“Confirmation Order” means the order of the Bankruptcy Court approving and confirming the Plan in accordance with the provisions of chapter 11 of the Bankruptcy Code.

“Creditor” has the meaning prescribed in 11 U.S.C. § 101(10).

“Cure Amount” means the amount of Cash required to cure defaults necessary to assume or assume and assign an Executory Contract under 11 U.S.C. § 365(b) as determined by the Bankruptcy Court or pursuant to any agreement among the Debtor and the other Party(ies) to the Executory Contract.

“Cure Claim Bar Date” means March 13, 2009.

“Cure Claim Objection Deadline” means March 23, 2009.

“D&O Policy” means (a) that certain Executive and Organization Liability Insurance Policy issued by American International Specialty Lines Insurance Company to Global Aero Logistics, Inc. for the policy period from May 1, 2008 and May 1, 2009; (b) that certain Excess Policy Coverage issued by XL Specialty Insurance Company to Global Aero Logistics, Inc. for the policy period from May 1, 2008 and May 1, 2009; and (c) that certain Classic A-Side Management Liability Policy issued by XL Specialty Insurance Company to Global Aero Logistics, Inc. for the policy period from May 1, 2008 and May 1, 2009.

“Debtor” means ATA.

“Deficiency Claim” means any portion of a Claim (a) to the extent the value of the holder’s interest in the Estate Property securing such Claim is less than the amount of such Claim or (b) to the

extent the amount of a Claim subject to setoff is less than the amount of the Claim, each as determined by the Bankruptcy Court under 11 U.S.C. § 506(a).

“Derivative Litigation Claim” means any claim, cause of action, demand, or any other right to payment derivative of or from the Debtor that is Estate Property.

“Direct Class 1.1 Expenses” means (a) costs and expenses that are incurred solely for the benefit of Class 1.1 Beneficiaries or as part of making any Distributions to Class 1.1 Beneficiaries under the Unsecured Creditor Trust, and (b) any fees that arise under 28 U.S.C. § 1930(a)(6) as a result of Distributions to Class 1.1 Beneficiaries that occur after the termination of the Plan Trust.

“Direct Class 4 Expenses” means (a) costs and expenses that are incurred solely for the benefit of Class 4 Beneficiaries or as part of making any Distributions to Class 4 Beneficiaries under the Unsecured Creditor Trust, and (b) any fees that arise under 28 U.S.C. § 1930(a)(6) as a result of Distributions to Class 4 Beneficiaries that occur after the termination of the Plan Trust.

“Disclosure Statement” means the disclosure statement (including all exhibits and schedules thereto or referenced therein) regarding the Plan, as may be amended, modified, or supplemented.

“Disclosure Statement Approval Date” means the date the Disclosure Statement Approval Order is entered on the docket of the Bankruptcy Case.

“Disclosure Statement Approval Order” means the order of the Bankruptcy Court approving the Disclosure Statement and authorizing the solicitation of acceptances of the Plan.

“Disputed Claim” means a Claim in a particular Class as to which a proof of claim has been filed or is deemed to have been filed under applicable law or an Administrative Claim as to which an objection has been or is filed in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Local Rules, which objection has not been withdrawn or determined by a Final Order. For the purposes of the Plan, a Claim is a Disputed Claim prior to any objection to the extent that (a) the amount of a Claim specified in a proof of claim exceeds the amount of any corresponding Claim scheduled by the Debtor in the Schedules of Assets and Liabilities; (b) any corresponding Claim scheduled by the Debtor in the Schedules of Assets and Liabilities has been scheduled as disputed, contingent or unliquidated, irrespective of the amount scheduled; (c) no corresponding Claim has been scheduled by the Debtor in the Schedules of Assets and Liabilities; or (d) the Claim is subject to disallowance pursuant to section 502(d) of the Bankruptcy Code.

“Disputed [...] Claim” means Disputed Claim in the particular class or category specified.

“Disputed Cure Amount” means, with respect to an Executory Contract for which a Proof of Cure Claim is filed, the amount that the counterparty to such Executory Contract asserts is necessary to assume or assign such Executory Contract under 11 U.S.C. § 365(b).

“Distribution” means a distribution of Cash or other non-Cash consideration made under the Plan.

“Distribution Date” means any date that a Distribution is made under the Plan, the Plan Trust Agreement or the Unsecured Creditor Trust Agreement.

“Distribution Record Date” means the Confirmation Date.

“DOT” means the United States Department of Transportation.

“Effective Date” means the third Business Day after the Confirmation Date on which (a) the Confirmation Order is not stayed and (b) all conditions to the effectiveness of the Plan have been satisfied or waived as provided in the Plan.

“Employee Claim” means (a) any Claim of an employee of ATA arising from the WARN Act, any CBA, (including Claims for wages, vacations, 401(K) contributions, and any Claim that was or could have been brought as a grievance thereunder), the termination of employment, incident to ATA's cessation of operations, or the Railway Labor Act (the **“RLA”**), or (b) in addition to the Claims described in subclause (a), with respect only to the ATA employees (i) who are not represented by, or a member of, any of the Unions and (ii) who do not opt out of the settlement class certified under Fed. R. Civ. P. 23 in the WARN Adversary initiated by Batman, any Claim arising under or related to ATA's employment policies and practices, including for example, wages, vacations, and 401(K) contributions.

“Employee Claim Register” means collectively, the AFA Employee Claim Register, the ALPA Employee Claim Register, the AMFA Employee Claim Register, the Batman Employee Claim Register, the IAM Employee Claim Register and the TWU Employee Claim Register.

“Employee Pro Rata Share” means, as to a particular holder of an Allowed Employee Claim set forth on a particular Employee Claim Register, the ratio that the amount of such Employee Claim bears to the aggregate amount of all Allowed Employee Claims on such Employee Claim Register.

“Equity Interest” means any interest in ATA arising from any capital stock or other equity securities existing immediately before the Effective Date, as defined in 11 U.S.C. § 101(16).

“Estate” means the bankruptcy estate of the Debtor and all Estate Property comprising the bankruptcy estate of the Debtor within the meaning of 11 U.S.C. § 541.

“Estate Property” means all right, title, and interest in and to any and all property of every kind or nature, owned by the Debtor or its Estate on the Effective Date as defined by 11 U.S.C. § 541.

“Exclusive Period” means the first 120 days after the Petition Date during which only the debtor may file a chapter 11 plan as provided for in 11 U.S.C. § 1121, including any extension of that period as ordered by the Bankruptcy Court.

“Executory Contracts” means executory contracts and unexpired leases as such terms are used in 11 U.S.C. § 365, including all operating leases, capital leases, and contracts to which any Debtor is a party or beneficiary on the Confirmation Date.

“FAA” means the United States Federal Aviation Administration.

“Fee Procedures Order” means the Order Granting Motion to Establish Procedures for Interim Compensation and Reimbursement of Expenses for Professionals entered on April 4, 2008.

“FedEx Litigation” means that certain lawsuit filed in the United States District Court for the Southern District of Indiana and styled *ATA Airlines, Inc. vs. Federal Express Corporation*, 1:08-CV-0785-RLY-WTL.

“Final Order” means an order or judgment (a) as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired; or (b) in the event an appeal, writ of certiorari, or motion for reargument or rehearing has been filed, such judgment or order has not been reversed, modified, stayed, or amended.

“GAAP” means the generally accepted accounting principles described in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or in such other statements by such other entity as approved by a significant segment of the accounting profession which are in effect in the United States).

“GAL” means Global Aero Logistics, Inc.

“General Bar Date” means October 2, 2008, the deadline established by the Bankruptcy Court for filing proofs of claim or proofs of interest in the Bankruptcy Case or such other date established by the Bankruptcy Court pursuant to Final Order with respect to a particular Claim.

“General Unsecured Claim” means an Unsecured Claim that is not: (a) an Administrative Claim, (b) a Professional Compensation Claim, (c) a Priority Unsecured Tax Claim, (d) a Priority Unsecured Non-Tax Claim, (e) a Priority Unsecured Employee Claim, (f) an Affiliate Claim and (g) a Subordinated Claim. General Unsecured Claims shall not include (x) any Claims of Affiliates or (y) any deficiency Claim of the Lenders against ATA based upon ATA’s guarantee of the obligations of New ATA Acquisition, Inc. under the Term Loan Agreement or pursuant to the Cash Collateral Agreement to the extent that any such Claims of the Lenders against ATA exceed the aggregate amount of the Lender Recoveries.

“Global Settlement” means that settlement and compromise by and among the Debtor, the Lenders, JPMorgan, certain of the Affiliates, the Unions, Batman and the Committee regarding the settlement and compromise of Claims asserted against the Debtor and other parties, the terms of which are reflected in the Plan.

“Governmental Unit” has the meaning prescribed in 11 U.S.C. § 101(27).

“Governmental Unit Bar Date” means October 2, 2008, the deadline for Governmental Units to file proofs of claim in the Bankruptcy Case.

“IAM” means the International Association of Machinists and Aerospace Workers, AFL-CIO and District Lodge 142, the union representing the machinists and certain other aerospace workers employed by ATA.

“IAM Distribution” means 0.25% of: (a) the Labor Settlement Fund; (b) fifty percent (50%) of the Net Preference Recoveries; and (c) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“IAM Employee” means a former ATA employee who is a member of IAM and is listed on the IAM Employee Claim Register.

“IAM Employee Claim Register” means that certain schedule filed by the Debtor as a Plan Document and listing all IAM Employees and their respective Employee Claims.

“Impaired or Impairment” has the meaning prescribed in 11 U.S.C. § 1124.

“Insider” has meaning prescribed in 11 U.S.C. § 101(31).

“Interestholder” means the holder of an Equity Interest.

“IRS” means the Internal Revenue Service.

“Jefferies” means Jefferies Finance LLC.

“JPMorgan” means JPMorgan Chase Bank, N.A.

“Labor Settlement Account” means that certain segregated interest bearing account established by the Unsecured Creditor Trustee, into which shall be deposited: (i) the Labor Settlement Fund, (ii) fifty percent (50%) of Net Preference Recoveries, and (iii) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“Labor Settlement Fund” means \$4.0 million in Cash to be reserved out of Estate Property and transferred by the Debtor to the Unsecured Creditor Trust and deposited by the Unsecured Creditor Trustee into the Labor Settlement Account.

“Lender Claims” means all Claims of the Lenders, including Lender Secured Claims, Lender Deficiency Claims, or otherwise, against ATA arising out of or relating to ATA’s guarantee of the obligations of New ATA Acquisition, Inc. under the Term Loan Agreement.

“Lender Deficiency Claims” means Lender Claims that are Deficiency Claims.

“Lender Secured Claims” means Lender Claims that are Secured Claims.

“Lender Distribution(s)” means the distribution(s) of Lender Recoveries to the Lenders from time to time.

“Lender Recoveries” means all proceeds from the liquidation of Plan Trust Assets, and all

Cash constituting Plan Trust Assets except for the (i) Priority Claim Fund, (ii) Plan Trust Operating Reserve, and (iii) Professional Compensation Claim Fund; provided however, in the case of the Plan Trust Operating Reserve, the Priority Claim Fund and the Professional Compensation Claim Fund, any balance in any of the foregoing that is unused shall be included in the Lender Recoveries.

“Lenders” means JPMorgan and Jefferies.

“Lien” means a lien, security interest, or other interest or encumbrance as defined in 11 U.S.C. § 101(37) asserted against any Estate Property.

“Local Rules” means the local bankruptcy rules prescribed by the Bankruptcy Court.

“Net FedEx Recoveries” means the net proceeds from the recovery by ATA or the Plan Trustee of any claims against Federal Express Corporation in the FedEx Litigation after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery.

“Net Preference Recoveries” means the net proceeds from the recovery of Preference Actions after deduction for payment or reserve of all costs and expenses incurred in obtaining such recovery.

“New ATA” means the limited liability company to be formed under section 6.2 of the Plan.

“New Equity Interest” means the common stock or similar equity interest in the Reorganized Debtor to be issued under the Plan.

“New Membership Interest” means the membership interest representing 100% of the membership interest in New ATA to be issued to the Buyer under the Plan.

“Ordinary Course Liability” means an Administrative Claim (other than a Professional Compensation Claim or an Administrative Tax Claim) based on liabilities incurred with respect to the wind down of ATA’s business.

“Other Secured Claim” means a Secured Claim (within the meaning of 11 U.S.C. § 506) that is not the Lender Claims or a Secured Tax Claim. Other Secured Claims shall not include any such Claims secured by Liens that are avoidable, unperfected, subject to subordination, or otherwise unenforceable.

“Oversight Committee” means the committee to be appointed and established pursuant to Article 4 of the Unsecured Creditor Trust Agreement.

“Person” means and includes natural persons, corporations, limited partnerships, general partnerships, joint ventures, trusts, land trusts, business trusts, unincorporated organizations, or other legal entities, regardless of whether they are governments, agencies, or political subdivisions thereof.

“Petition Date” means April 2, 2008, the date the Bankruptcy Case was filed.

“Plan” means the chapter 11 plan filed by the Debtor, as such document may be periodically amended or modified.

“Plan Documents” means, collectively, those documents in furtherance of consummation of the Plan and/or to be executed in order to consummate the transactions contemplated under the Plan, which may be filed by the Debtor with the Bankruptcy Court.

“Plan Trust” means that certain trust established pursuant to the Plan and the Plan Trust Agreement.

“Plan Trust Agreement” means that certain *Liquidating Trust Agreement for the ATA Plan Trust* attached to the Plan as Exhibit “A.”

“Plan Trust Account” means that certain segregated, interest bearing account established by the Plan Trust into which shall be deposited all Plan Trust Assets constituting Cash and Cash proceeds from Plan Trust Assets.

“Plan Trust Assets” means all Estate Property, excluding the Unsecured Creditor Trust Assets and the Retained Assets. Plan Trust Assets specifically includes the Affiliate Avoidance Actions.

“Plan Trust Operating Expenses” means the reasonable costs and expenses of the Plan Trustee of administering the Plan Trust, including, but not limited to, payment of professional fees and expenses for the Plan Trustee, the Plan Trust and the FedEx Litigation.

“Plan Trust Operating Reserve” means \$4.0 million in Cash to be reserved out of the Plan Trust Assets and to be used to fund Plan Trust Operating Expenses.

“Plan Trustee” means the trustee of the Plan Trust.

“Preference Actions” means any cause of action arising under 11 U.S.C. § 547 against any Person who is not an Affiliate. Preference Actions specifically do not include any Affiliate Avoidance Actions.

“Preference Expenses” means the costs and expenses incurred by the Unsecured Creditor Trustee for investigating, prosecuting and/or settling Preference Actions, including without limitation, professional fees and expenses.

“Prime Rate” means the rate of interest per annum publicly announced by JPMorgan on the Effective Date as its prime rate in effect at its principal office in New York, New York (the Prime Rate not being intended to be the lowest rate of interest charged by JPMorgan in connection with extensions of credit to debtors).

“Priority Claim Fund” means \$5.0 million in Cash to be reserved out of the Plan Trust Assets to be used for payment and satisfaction of Administrative Claims, Secured Tax Claims, Other Secured Claims, Priority Unsecured Non-Tax Claims and Priority Unsecured Tax Claims pursuant to the Plan. Any remaining balance in the Priority Claim Fund after satisfaction of all Allowed

Administrative Claims, Secured Tax Claims, Priority Unsecured Non-Tax Claims and Priority Unsecured Tax Claims shall become Lender Recoveries.

“Priority Employee Claim” means an Employee Claim, or the portion thereof, that is entitled to priority in payment under 11 U.S.C. § 507(a)(4) and (5), Administrative Claims under § 503(b)(1)(A), and specifically includes any Claims arising under the WARN Act, as listed on the Employee Claim Registers.

“Priority Unsecured Non-Tax Claim” means an Unsecured Claim, or that portion thereof, that is entitled to priority in payment under 11 U.S.C. §§ 507(a)(1), (6), (7), (9), and (10).

“Priority Unsecured Tax Claim” means an Unsecured Claim, or that portion thereof, that is entitled to priority in payment under 11 U.S.C. § 507(a)(8).

“Pro Rata Share” means, as to a particular holder of a General Unsecured Claim in Class 4, the ratio that the amount of such Claim held by such Claimholder bears to the aggregate amount of all General Unsecured Claims in Class 4. Such ratio shall be calculated as if all Disputed General Unsecured Claims asserted against the Debtor are Allowed Claims as of the Effective Date, unless specifically provided otherwise by the Plan.

“Professional” means a professional employed in the Bankruptcy Case pursuant to Final Order under 11 U.S.C. §§ 327, 328 or 1103.

“Professional Compensation Claim” means a claim for compensation or reimbursement of expenses of a Professional incurred on or before the tenth day after the Closing Date and including fees and expenses incurred in preparing final fee applications and participating in hearings on such applications, and requested in accordance with the provisions of 11 U.S.C. §§ 326, 327, 328, 330, 331, 503(b), 1103 and the Fee Procedures Order.

“Professional Compensation Claim Fund” means an amount of Cash to be estimated by the Debtor prior to Closing and sufficient to satisfy Professional Compensation Claims and deposited into a segregated interest bearing account in the name of the Plan Trust to be used for payment and satisfaction of Professional Compensation Claims.

“Professional Compensation Claims Bar Date” means the first Business Day that is forty-five (45) days after the Closing Date.

“Proof of Cure Claim” means the document filed in the Bankruptcy Court by a counter-party to an Executory Contract required in the event that such counter-party disputes the Cure Amount identified in the Schedule of Assumed Executory Contracts.

“Purchase Agreement” means that certain agreement, between the Debtor and the Buyer, to be filed as a Plan Document, that implements the terms and conditions of the Buyer LOI.

“Rejection Damage Claim Bar Date” means the first Business Day that is thirty (30) days after the Confirmation Date or such earlier date that may be set by the Bankruptcy Court concerning a particular Executory Contract.

“Reorganized Debtor” means ATA Airlines, Inc., as reorganized after the Effective Date.

“Reserved Beneficial Interest” means a Beneficial Interest in the Unsecured Creditors Trust that relates to a Disputed Claim and is not entitled to Distributions.

“Retained Assets” means those assets, rights and privileges identified on Schedule B.1 of the Buyer LOI and the Executory Contracts assumed by Reorganized Debtor and identified on Schedule B.2 of the Buyer LOI.

“Rights of Action” means any and all claims, debts, demands, rights, defenses, actions, causes of action, suits, contracts, agreements, obligations, accounts, defenses, offsets, powers, privileges, licenses and franchises of any kind or character whatsoever, known or unknown, suspected or unsuspected, whether arising before, on, or after the Petition Date, in contract or in tort, at law or in equity, or under any other theory of law, of the Debtor or its Estate, including (a) the FedEx Litigation, (b) rights of setoff, counterclaim, or recoupment, and claims on contracts or for breaches of duties imposed by law, (c) claims pursuant to 11 U.S.C. § 362, and (d) such claims and defenses as fraud, mistake, duress, and usury; provided however, Rights of Action shall not include Preference Actions and Net Preference Recoveries.

“RLA” means the Railway Labor Act, 45 U.S.C. §§151-188.

“Schedules of Assets and Liabilities” means the schedules of assets and liabilities filed by the Debtor in the Bankruptcy Case, as may be amended, modified, or supplemented.

“Schedule of Assumed Executory Contracts” means the schedule to be filed with the Bankruptcy Court identifying those Executory Contracts to be assumed and/or assumed and assigned by the Debtor under the Plan.

“Schedule of Equity Security Holders” means the schedule of Equity Interests required to be filed pursuant to Bankruptcy Rule 1007(a)(3).

“SEC” means the Securities and Exchange Commission.

“Second Circuit Grievance Litigation” means that certain lawsuit filed in the United States District Court for the Eastern District of New York and styled *Global Aero Logistics Inc. and ATA Airlines, Inc. vs. Airline Pilots Association International*, 08-CV-1845, including the Appeal related thereto.

“Secured Claim” means a Claim for which a Claimant asserts a valid, perfected, and enforceable Lien, not subject to avoidance or subordination under the Bankruptcy Code or applicable non-bankruptcy law, or a Claim for which a Claimant asserts a setoff under Bankruptcy Code section 553, but only to the extent of the value, determined in accordance with Bankruptcy Code section 506(a), of the Claimant’s interest in the Debtor’s interest in Estate Property or to the

extent of the amount subject to such setoff, as the case may be, unless a timely election has been made under 11 U.S.C. § 1111(b)(2).

“Secured Letter of Credit Claims” means a Secured Claim based upon ATA’s collateralized reimbursement obligations with respect to any letter of credit issued to support the payment of a Claim against ATA.

“Secured Tax Claim” means a secured Claim (within the meaning of 11 U.S.C. § 506) for taxes held by a governmental unit, including cities, counties, school districts, and hospital districts, (a) entitled by statute to assess taxes based on the value or use of real and personal property and to obtain an encumbrance against such property to secure payment of such taxes or (b) entitled to obtain an encumbrance on property to secure payment of any tax claim specified in 11 U.S.C. § 507(a)(8). Secured Tax Claims shall not include any such Claims secured by liens or security interests that are avoidable, unperfected, subject to subordination, or otherwise unenforceable.

“Solicitation Materials” means the Disclosure Statement Approval Order, the Disclosure Statement, the Plan, solicitation letters, Ballot, and any other materials to be used in the solicitation of votes on the Plan.

“Statement of Financial Affairs” means the statement of financial affairs filed by the Debtor in the Bankruptcy Case, as may be amended, modified, or supplemented.

“Subordinated Claim” means a Claim that is subordinated to General Unsecured Claims pursuant to (a) a contract or agreement, (b) a Final Order declaring that such Claim is subordinated in right of payment, or (c) any applicable provision of the Bankruptcy Code, including 11 U.S.C. § 510, or other applicable law. Subordinated Claims specifically include any Claim for punitive damages provided for under applicable law.

“Term Loan Agreement” means the Term Loan Agreement dated as of August 14, 2007 (as amended, supplemented or otherwise modified prior to the Petition Date), among New ATA Acquisition Inc., as borrower (the “Borrower”), the Lenders party thereto and the Administrative Agent for the Lenders, pursuant to which the Lenders made loans and other financial accommodations to or for the benefit of the Borrower, the Debtor (a wholly-owned subsidiary of the Borrower) and the Borrower’s other subsidiaries.

“Treasury Regulations” means the regulations promulgated under the Internal Revenue Code by the Department of the Treasury of the United States.

“TWU” means the Transportation Workers Union of America, the union representing the flight dispatchers under the RLA employed by ATA.

“TWU Distribution” 0.79% of: (a) the Labor Settlement Fund; (b) fifty percent (50%) of the Net Preference Recoveries; and (c) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“TWU Employee” means a former ATA employee who is a member of TWU and is listed on the TWU Employee Claim Register.

“TWU Employee Claim Register” means that certain schedule filed by the Debtor as a Plan Document and listing all TWU Employees and their respective Employee Claims.

“Union(s)” means ALPA, AFA, AMFA, IAM, and TWU.

“Unsecured Claim” means a Claim that is not a Secured Claim. The term specifically includes any tort Claims or contractual Claims or Claims arising from damage or harm to the environment and, pursuant to 11 U.S.C. § 506(a), any Claim of a Creditor against the Debtor to the extent that such Creditor’s Claim is greater than the value of the Lien securing such Claim, any Claim for damages resulting from rejection of any Executory Contract under 11 U.S.C. § 365, and any Claim not otherwise classified under the Plan.

“Unsecured Creditor Account” means that certain segregated interest bearing account established by the Unsecured Creditor Trust into which shall be deposited: (i) the Unsecured Settlement Fund, (ii) fifty percent (50%) of Net Preference Recoveries, and (iii) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“Unsecured Creditor Distribution” means (a) the Unsecured Settlement Fund, less Unsecured Creditor Trust Operating Expenses; (b) fifty percent (50%) of the Net Preference Recoveries; and (c) seven and one half percent (7.5%) of the Net FedEx Recoveries.

“Unsecured Creditor Trust” means that certain trust established pursuant to the Plan and the Unsecured Creditor Trust Agreement.

“Unsecured Creditor Trust Agreement” means that certain *Liquidating Trust Agreement for the ATA Unsecured Creditor Trust* attached to the Plan as Exhibit “B.”

“Unsecured Creditor Trust Assets” means the Preference Actions and Net Preference Recoveries, the Unsecured Creditor Settlement Fund, the Labor Settlement Fund and fifteen percent (15%) of the Net FedEx Recoveries if and when paid by the Plan Trustee to the Unsecured Creditor Trust.

“Unsecured Creditor Trust Operating Expenses” means the reasonable costs and expenses of the Unsecured Creditor Trustee in administering the Unsecured Creditor Trust, including without limitation, Preference Expenses and payment of professional fees for the Unsecured Creditor Trustee and the Unsecured Creditor Trust.

“Unsecured Creditor Trust Operating Reserve” means such reserve of Cash determined from time to time by the Unsecured Creditor Trustee in consultation with the Oversight Committee pursuant to the Unsecured Creditor Trust Agreement to be reasonably necessary to pay Unsecured Creditor Trust Operating Expenses, including, but not limited to: (1) the unpaid liabilities, debts or obligations of the Unsecured Creditor Trust; (2) the fees of the Unsecured Creditor Trustee; (3) all fees and expenses of professionals retained by the Unsecured Creditor Trust; (4) Preference Expenses; (5) any and all costs associated with analyzing, prosecuting and/or settling objections to General Unsecured Claims; and (6) any and all other costs associated with the liquidation or preservation of the Unsecured Creditor Trust Assets.

“Unsecured Creditor Trustee” means the trustee of the Unsecured Creditors Trust.

“Unsecured Settlement Fund” means \$2.5 million in Cash to be reserved out of Estate Property and transferred by the Debtor to the Unsecured Creditor Trust and deposited by the Unsecured Creditor Trustee into the Unsecured Creditor Account.

“Voting Deadline” means the deadline established by the Bankruptcy Court for submitting a Ballot to accept or reject the Plan.

“Voting Record Date” means the Disclosure Statement Approval Date.

“WARN Act” means the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101, *et seq.*.

“Warn Adversaries” means separate adversary proceedings initiated against ATA and GAL by ALPA, AFA, IAM, and TWU, on behalf of their represented employees and Batman in the Bankruptcy Court alleging that ATA had violated the WARN Act.

“WARN Act Plaintiffs” means ALPA, AFA, TWU, IAM and Batman.

EXHIBIT B TO THE CHAPTER 11 PLAN
THE LIQUIDATING TRUST AGREEMENT FOR THE ATA PLAN TRUST

**LIQUIDATING TRUST AGREEMENT
FOR THE ATA PLAN TRUST**

DATED: _____, 2009

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**LIQUIDATING TRUST AGREEMENT
FOR THE ATA PLAN TRUST**

THIS TRUST AGREEMENT (the "Plan Trust Agreement") is made as of this ____ day of _____, 2009, by and between ATA AIRLINES, INC., a corporation organized under the laws of the State of Indiana ("Debtor" or "ATA") for the benefit of the Beneficiaries entitled to the Plan Trust Assets (as defined in the Chapter 11 Plan of the Debtor Dated _____, 2008 (the "Plan")), and _____ as plan trustee (the "Plan Trustee").

RECITALS

WHEREAS on April 2, 2008, ATA filed with the Bankruptcy Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On _____, 2008, ATA filed the Plan. This Plan Trust Agreement is executed to facilitate implementation of the Plan. Under the terms of the Plan, the Plan Trust Assets will be transferred to the Plan Trust created and evidenced hereby so that (1) the Plan Trust Assets can be held in trust for the benefit of the Beneficiaries entitled thereto for the objectives and purposes set forth herein and in the Plan, (2) the Claims can be resolved, (3) Distributions may be made in accordance with the Plan, (4) the Plan Trust Assets can be liquidated, and (5) administrative services relating to the activities of the Plan Trust and relating to the implementation of the Plan can be performed by the Plan Trustee. The Plan Trustee will make continuing efforts to dispose of the Plan Trust Assets, make timely distributions, and not unduly prolong the duration of the Plan Trust.

DECLARATION OF TRUST

NOW, THEREFORE, to declare the terms and conditions hereof, and in consideration of the confirmation of the Plan pursuant to the Bankruptcy Code and other good and valuable consideration, the receipt of which is hereby acknowledged, ATA and the Plan Trustee have executed this Plan Trust Agreement for the benefit of the Beneficiaries entitled to the Plan Trust Assets, and, at the direction of such Beneficiaries (because the transfer of title to undivided interests in each of the Plan Trust Assets to such Beneficiaries, and the transfer of such interests by such Beneficiaries to the Plan Trust, would be impractical), absolutely and irrevocably assign to the Plan Trustee and to its successors or assigns, all right, title, and interest of ATA in and to the Plan Trust Assets in the form and manner provided for in the Plan;

TO HAVE AND TO HOLD unto the Plan Trustee and its successors in trust and its successors and assigns;

IN TRUST NEVERTHELESS, under and subject to the terms and conditions of the Plan and this Plan Trust Agreement for the benefit of the Beneficiaries of the Plan Trust (as their respective interests may appear in accordance with the Plan and this Plan Trust Agreement);

PROVIDED, HOWEVER, that upon termination of the Plan Trust in accordance with Article 8 hereof, this Plan Trust Agreement shall cease, terminate, and be of no further force and effect.

IT IS HEREBY FURTHER COVENANTED AND DECLARED, that the Plan Trust Assets are to be held and applied by the Plan Trustee subject to the further covenants, conditions, and terms set forth below.

ARTICLE 1

DEFINITIONS

1.1 Terms Used in the Plan. If not defined in this Plan Trust Agreement, capitalized terms have the meanings assigned to them in the Plan.

1.2 General Construction. As used in this Plan Trust Agreement, the masculine, feminine and neuter genders, and the plural and singular numbers shall be deemed to include the others in all cases where they would apply. “Includes” and “including” are not limiting, and “or” is not exclusive. References to “Articles,” “Sections” and other subdivisions, unless referring specifically to the Plan or provisions of the Bankruptcy Code, the Bankruptcy Rules, or other law, statute or regulation, refer to the corresponding Articles, Sections, and other subdivisions of this Plan Trust Agreement, and the words “herein,” “hereafter,” and words of similar import refer to this Plan Trust Agreement as a whole and not to any particular Article, Section, or subdivision of this Plan Trust Agreement.

ARTICLE 2

THE TRUST

2.1 Creation and Name. There is hereby created the Plan Trust, which shall be known as the “ATA Plan Trust.”

2.2 Objectives, Purposes and Structure of the Plan Trust.

2.2.1 Objectives and Purposes. The purpose of the Plan Trust is to provide a mechanism for the liquidation of the Plan Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Plan Trust, to the holders of Beneficial Interests and certain Allowed Claims in accordance with the terms of the Plan. No business activities will be conducted by the Plan Trust other than those associated with or related to the liquidation of the Plan Trust Assets and such assets are being transferred to the Plan Trust with no objective to engage in such activities. In furtherance of this objective, the Plan Trustee shall make continuing best efforts to (1) dispose of the Plan Trust Assets, (2) make timely Distributions, and (3) not unduly prolong the duration of the Plan Trust, in accordance with this Plan Trust Agreement. The purposes of the Plan Trust include, but are not limited to the following:

- (a) to marshal, liquidate, and distribute the Plan Trust Assets in an expeditious but orderly manner;
- (b) to perform the functions and take the actions provided for or permitted by this Plan Trust Agreement and in any other agreement executed by the Plan Trustee for the Plan Trust pursuant to the Plan;

(c) to prosecute, settle, or abandon the Rights of Action (other than the Preference Actions) and any other causes of action transferred and assigned to the Plan Trust under the Plan as Plan Trust Assets and to distribute the proceeds of any recoveries thereon in accordance with the terms of the Plan and this Plan Trust Agreement;

(d) to reconcile, object to, prosecute, or settle all Claims against the Debtor (other than General Unsecured Claims) for purposes of determining the appropriate amount of Distributions to be made hereunder to the Beneficiaries and payments to other claimants under the terms and conditions set forth in this Plan Trust Agreement; and

(e) to make Distributions to Beneficiaries of the Plan Trust in accordance with the Plan.

2.3 Acceptance. The Plan Trustee accepts the trust terms imposed under this Plan Trust Agreement and agrees to manage the Plan Trust in accordance with this Plan Trust Agreement and subject to the terms and conditions of the Plan.

2.4 Further Assurances. ATA (and any successors thereto) will, upon reasonable request of the Plan Trustee, execute, acknowledge, and deliver such further instruments and do such further acts as may be necessary or proper to transfer to the Plan Trustee any portion of the Plan Trust Assets intended to be conveyed hereby in the form and manner provided for in the Plan and to vest in the Plan Trustee the powers, instruments, or funds in trust hereunder.

2.5 Nature of Plan Trust Assets. The Plan Trust shall not receive transfers of any listed stock or securities or any readily marketable assets, any operating assets of a going business, or fifty percent (50%) or more of the stock of a corporation with operating assets. Furthermore, the Plan Trust shall not receive transfers of any unlisted stock of a single issuer that represents 80 percent or more of the stock of such issuer, and shall not receive transfers of any general or limited partnership interests.

2.6 Ownership by Plan Trustee. The Plan Trustee shall promptly record or register in its name, as Plan Trustee, or in the name or names of any nominee or Person in accordance with Section 4.1 hereof, ownership of and title to all Plan Trust Assets received by it as Plan Trustee and comply with all provisions of law that may bear on the evidencing of ownership of and title to any portion of the Plan Trust Assets as are necessary and appropriate and that the Plan Trustee determines are in the best interests of the Plan Trust.

2.7 Incidents of Ownership. The Beneficiaries shall be the sole beneficiaries of the Plan Trust and the Plan Trustee shall retain only such incidents of ownership as are necessary to undertake the actions and transactions authorized herein.

2.8 Payment of Plan Trust Operating Expenses. To the extent the Plan Trustee deems reasonably appropriate and subject to the approval of JPMorgan, Plan Trust Operating Expenses shall be paid from the Plan Trust Operating Reserve.

ARTICLE 3

THE PLAN TRUSTEE

3.1 Number and Qualifications. Except as otherwise provided herein, there shall be one Plan Trustee of the Plan Trust, who shall be the Person jointly nominated by the Debtor and JPMorgan and approved by the Bankruptcy Court as provided in the Plan. The Plan Trustee shall give a bond or other surety in an amount to be approved by the Bankruptcy Court, as applicable. All costs and expenses of procuring any such bond shall be paid as a Plan Trust Operating Expense. The Plan Trustee shall be entitled to engage in such other activities as the Plan Trustee deems appropriate, so long as such activities are not in conflict with the interests of the Plan Trust and the Plan Trustee devotes such time as is necessary to fulfill all of the Plan Trustee's duties as Plan Trustee.

3.2 Action by Plan Trustee. The Plan Trust shall be managed by the Plan Trustee as set forth in this Plan Trust Agreement.

3.3 Binding Nature of Plan Trustee's Action. All actions taken and determinations made by the Plan Trustee in accordance with the provisions of the Plan or this Plan Trust Agreement shall be final and binding upon any and all Persons holding Beneficial Interests in the Plan Trust.

3.4 Term of Service. The Plan Trustee shall serve as the Plan Trustee for the duration of the Plan Trust, subject to earlier death, resignation, or removal.

3.5 Resignation. The Plan Trustee may resign as Plan Trustee of the Plan Trust by an instrument in writing delivered to JPMorgan at least 60 days before the proposed effective date of resignation. The Plan Trustee shall continue to serve as Plan Trustee after the delivery of the Plan Trustee's resignation until the proposed effective date of the Plan Trustee's resignation, unless the JPMorgan consents to an earlier effective date of the Plan Trustee's resignation, which shall be the date of appointment of a successor Plan Trustee in accordance with Section 3.7 hereof becomes effective, but nothing in this Section 3.5 shall restrict the right to remove the Plan Trustee as provided in Section 3.6 hereof.

3.6 Removal. The Plan Trustee may be removed from office for (1) fraud or willful misconduct in connection with the affairs of the Plan Trust, (2) for such physical or mental disability as substantially prevents the Plan Trustee from performing the duties of Plan Trustee hereunder, or (3) for cause, which shall include a breach of fiduciary duty or an unresolved conflict of interest, in each case, upon a determination by the Bankruptcy Court. Alternatively, JPMorgan may remove the Plan Trustee without cause upon 30 days notice to the Plan Trustee. Any notice of termination shall be filed in the Bankruptcy Court at the time that it is delivered to the Plan Trustee.

3.7 Appointment of Successor Plan Trustee.

3.7.1 Appointment of Successor Plan Trustee. In the event of a vacancy by reason of the death or removal of the Plan Trustee or prospective vacancy by reason of resignation, a successor Plan Trustee shall be appointed by JPMorgan. JPMorgan may appoint a successor Plan Trustee as soon as practicable, but in any event within 30 days after the

occurrence of the vacancy or, in the case of resignation, at least 30 days before the proposed resignation.

3.7.2 Vesting of Rights in Successor Plan Trustee. Every successor Plan Trustee shall execute, acknowledge, and deliver to the Plan Trust, JPMorgan, and the retiring Plan Trustee, if any, an instrument accepting such appointment subject to the terms and provisions hereof. The successor Plan Trustee shall provide a bond or surety as provided in Section 3.1. The successor Plan Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Plan Trustee, except that the successor Plan Trustee shall not be liable for the acts or omissions of the retiring Plan Trustee.

3.8 Continuance of Plan Trust. The death, resignation, or removal of the Plan Trustee shall not operate to terminate the Plan Trust or to revoke any existing agency (other than any agency of the Plan Trustee as the Plan Trustee) created pursuant to the terms of this Plan Trust Agreement or invalidate any action taken by the Plan Trustee, and the Plan Trustee agrees that the provisions of this Plan Trust Agreement shall be binding upon and inure to the benefit of the Plan Trustee and the Plan Trustee's heirs, legal and personal representatives, successors or assigns, as the case may be. In the event of the resignation or removal of the Plan Trustee, the Plan Trustee shall promptly (1) execute and deliver by the effective date of resignation or removal such documents, instruments, and other writings as may be reasonably requested by the successor Plan Trustee to effect the termination of the resigning or removed Plan Trustee's capacity under this Plan Trust Agreement and the conveyance of the Plan Trust Assets then held by the resigning or removed Plan Trustee to the successor Plan Trustee; (2) deliver to the successor Plan Trustee all documents, instruments, records, and other writings relating to the Plan Trust as may be in the possession or under the control of the resigning or removed Plan Trustee; and (3) otherwise assist and cooperate in effecting the assumption of the resigning or removed Plan Trustee's obligations and functions by the successor Plan Trustee. The resigning or removed Plan Trustee hereby irrevocably appoints the successor Plan Trustee as its attorney-in-fact and agent with full power of substitution for it and its name, place and stead to do any and all acts that such resigning or removed Plan Trustee is obligated to perform under this Section 3.8. Such appointment shall not be affected by the subsequent disability or incompetence of the Plan Trustee making such appointment.

3.9 Compensation. As compensation for services as Plan Trustee, and under any other agreements to which the Plan Trustee is a party as contemplated by the Plan, the Plan Trustee shall receive the compensation provided for in a separate compensation arrangement approved by the Debtor and JPMorgan and the Bankruptcy Court at the time of Plan confirmation. Compensation of any successor Plan Trustee shall be negotiated between the successor Plan Trustee and JPMorgan.

3.10 Standard of Care; Indemnification; Exculpation. The Plan Trustee, acting in the capacity as the Plan Trustee or in any other capacity contemplated by this Plan Trust Agreement or the Plan, shall not be personally liable in connection with the affairs of the Plan Trust to the Plan Trust or to any Person except for such of the Plan Trustee's acts or omissions that constitute fraud, willful misconduct, or gross negligence. The Plan Trustee shall not be personally liable to the Plan Trust or to any Person for the acts or omissions of any officer,

employee, or agent of the Plan Trust unless the Plan Trustee acted with gross negligence or willful misconduct in the selection, retention, or supervision of such officer, employee, or agent of the Plan Trust. Except in those situations in which the Plan Trustee is not exonerated of personal liability in accordance with the foregoing, the Plan Trustee (including each former Plan Trustee) shall be indemnified by the Plan Trust against and held harmless by the Plan Trust from any losses, claims, damages, liabilities or expenses (including, without limitation, attorney fees, disbursements, and related expenses) to which the Plan Trustee may become subject in connection with any action, suit, proceeding, or investigation brought or threatened against the Plan Trustee in the Plan Trustee's capacity as Plan Trustee, or in any other capacity contemplated by this Plan Trust Agreement or the Plan or in connection with any matter arising out of or related to the Plan, this Plan Trust Agreement, or the affairs of the Plan Trust. If the Plan Trustee becomes involved in any action, proceeding, or investigation in connection with any matter arising out of or in connection with the Plan, this Plan Trust Agreement or the affairs of the Plan Trust, the Plan Trust shall periodically advance or otherwise reimburse on demand the Plan Trustee's reasonable legal and other expenses (including, without limitation, attorney fees, disbursements, and related expenses) incurred in connection therewith, but the Plan Trustee shall be required to repay promptly to the Plan Trust the amount of any such advanced or reimbursed expenses paid to the Plan Trustee to the extent that it shall be ultimately determined by Final Order that the Plan Trustee engaged in fraud, willful misconduct, or gross negligence in connection with the affairs of the Plan Trust with respect to which such expenses were paid. The Plan Trust may indemnify and hold harmless the employees and agents of the Plan Trust to the same extent as provided in this Section 3.10 for the Plan Trustee. The provisions of this Section 3.10 shall remain available to and be binding on any former Plan Trustee or the estate of any decedent Plan Trustee.

3.11 Reliance by Plan Trustee. The Plan Trustee may rely, and shall be fully protected in acting or refraining from acting, on any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, or other instrument or document that the Plan Trustee has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of facsimiles, to have been sent by the proper party or parties, and the Plan Trustee may conclusively rely as to the truth of the statements and correctness of the opinions expressed therein, but the Plan Trustee shall be under a duty to have examined, or caused to be examined, the same to determine whether or not such writings conform to the requirements of this Plan Trust Agreement. The Plan Trustee may consult with counsel, and any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Plan Trustee in accordance therewith. The Plan Trustee shall have the right at any time to seek instructions from the Bankruptcy Court (or any other court of competent jurisdiction after the chapter 11 case is finally closed) concerning the Plan Trust Assets, this Plan Trust Agreement, the Plan, or any other document executed in connection therewith, and any such instructions given shall be full and complete authorization in respect of any action taken or suffered by the Plan Trustee in accordance therewith.

3.12 Reliance by Persons Dealing With the Plan Trust. In the absence of actual knowledge to the contrary, any person dealing with the Plan Trust shall be entitled to rely on the authority of the Plan Trustee to act in connection with the acquisition, management, or disposition of Plan Trust Assets and shall have no obligation to inquire into the existence of such authority. Upon the sale by the Plan Trustee of any portion of the Plan Trust Assets, such Plan

Trust Assets shall be delivered to the purchaser thereof free and clear of any liens or other encumbrances, claims, or interests of the Plan Trustee or the Beneficiaries, except as may otherwise be agreed to by the purchaser.

3.13 Discharge of Plan Trustee.

3.13.1 Statement of Discharge. The Plan Trustee shall upon termination of the Plan Trust or upon the Plan Trustee's resignation, removal, or death (in which case the Plan Trustee's estate shall) render a statement of charge and discharge containing the following information: (1) all assets and funds of the Plan Trust originally charged under the Plan Trustee's control, (2) a summarized accounting, in sufficient detail, of all purchases, sales, gains, losses, and income in connection with the Plan Trust during the Plan Trustee's term of service, and (3) the ending balance of all assets and funds of the Plan Trust as of the date of discharge. At the discretion of the Plan Trustee, such statement may be audited by independent accountants in accordance with generally accepted auditing standards.

3.13.2 Approval of Statement of Discharge. The statement of charge and discharge required by Section 3.13.1 shall be presented to JPMorgan and the Unsecured Creditor Trustee and shall be filed with the Bankruptcy Court. Unless JPMorgan requests that such statement of charge and discharge not be approved within 30 days after the date on which such statement of charge and discharge was presented to JPMorgan, the withdrawing Plan Trustee shall be discharged from all liability to the Plan Trust or any Person who has had or may then or thereafter have an interest in the Plan Trust for acts or omissions in the Plan Trustee's capacity as the Plan Trustee or in any other capacity contemplated by this Plan Trust Agreement or the Plan.

3.13.3 Costs Relating to Statement of Discharge. The expenses of any accounting, including, but not limited to any statement of charge or discharge, shall be paid by the Plan Trust as a Plan Trust Operating Expense.

ARTICLE 4 CONFIDENTIALITY

4.1 Confidentiality of Information. Representatives of JPMorgan who will access information from the Plan Trustee shall execute and deliver to the Plan Trustee a confidentiality agreement in substantially the form attached hereto as Exhibit A (the "Confidentiality Agreement").

ARTICLE 5 POWERS OF THE PLAN TRUSTEE

5.1 Title. Legal title to all Plan Trust Assets shall be vested in the Plan Trustee, except that the Plan Trustee, upon approval by JPMorgan, shall have the power to cause legal title (or evidence of title) to any of the Plan Trust Assets to be held by any nominee or Person, on such terms, in such manner, and with such powers as the Plan Trustee hereunder may determine.

5.2 Management Power. Except as otherwise expressly limited in this Plan Trust Agreement or the Plan, the Plan Trustee shall have control and authority over the Plan Trust Assets, including all Rights of Action (except the Preference Actions) and any other causes of

action transferred and assigned to the Plan Trust under the Plan as Plan Trust Assets, over the management and disposition thereof (including any transfer of Plan Trust Assets that does not constitute a disposition) over the management of the Plan Trust to the same extent as if the Plan Trustee were the sole owner thereof in its own right. Except as provided in the Plan, or otherwise specified in the Plan Trust Agreement, the Plan Trustee need not obtain the order or approval of any court in the exercise of any power or discretion conferred hereunder, or account to any court in the absence of a breach of trust. The Plan Trustee shall exercise its judgment for the benefit of the Beneficiaries in order to maximize the value of Distributions, giving due regard to the cost, risk, and delay of any course of action. In connection with the management and use of the Plan Trust Assets, the Plan Trustee's powers, except as otherwise expressly limited in this Plan Trust Agreement, or the Plan, shall include, but shall not be limited to, the following:

- (a) to accept the Plan Trust Assets, to pursue the liquidation and marshaling of the Plan Trust Assets, and to preserve and protect the Plan Trust Assets;
- (b) subject to Section 6.1.1 of this Plan Trust Agreement, and in accordance with Section 1123(b)(3)(B) of the Bankruptcy Code and the Plan, to engage in, intervene in, prosecute, join, defend, compound, settle, compromise, abandon or adjust, by arbitration or otherwise, any actions, suits, proceedings, disputes, claims, controversies, demands or other litigation relating to the Plan, the Plan Trust, the Plan Trust Assets or the Plan Trust's affairs, to enter into agreements relating to the foregoing, whether or not any suit is commenced or claim accrued or asserted and, in advance of any controversy, to enter into agreements regarding arbitration, adjudication or settlement thereof, all in the name of the Plan Trust if necessary or appropriate, and institute or continue actions which were or otherwise could have been brought by the Debtor, and prosecute or defend all litigation or appeals on behalf of the Debtor and, when appropriate, settle such actions and claims;
- (c) subject to Section 6.1.1 of this Plan Trust Agreement, and in accordance with Section 1123(b)(3) of the Bankruptcy Code and the Plan, to own and retain, and prosecute, enforce, compromise, settle, release, or otherwise dispose of all Rights of Action (except the Preference Actions) and any and all other claims, defenses, counterclaims, setoffs, and recoupments transferred and assigned to the Plan Trust under the Plan as Plan Trust Assets, provided, however, that Rights of Action shall be prosecuted, settled or abandoned as directed by JPMorgan in its sole discretion;
- (d) to make or cause to be made Distributions of Available Cash to holders of Class 3.1 Beneficial Interests in accordance with the terms of this Plan Trust Agreement and the Plan;
- (e) to liquidate and distribute Plan Trust Assets or any part thereof or any - interest therein, and to dispose of the Plan Trust Assets for Cash or upon such terms and for such consideration as the Plan Trustee deems proper;

- (f) to engage in all acts that would constitute ordinary performance of the obligations of a trustee under a liquidating trust, including the filing of all federal returns as a grantor trust;
- (g) to enforce the payment of notes or other obligations of any Person or to make contracts with respect thereto;
- (h) to purchase insurance with such coverage and limits as it deems desirable consistent with the budget referred to in Section 6.1.2, including, without limitation, insurance covering liabilities of the Plan Trustee or employees or agents of the Plan Trust incurred in connection with their services to the Plan Trust;
- (i) to appoint, engage, employ, supervise, and compensate officers, employees, and other Persons as may be necessary or desirable, including managers, consultants, accountants, technical, financial, real estate, or investment advisors or managers, attorneys, agents or brokers, corporate fiduciaries, or depositories and the Registrar;
- (j) subject to the limitations in Section 6.2, to the extent reasonably required to meet claims and contingent liabilities (including Disputed Claims) or to maintain the value of assets during liquidation, to invest and reinvest Cash available to the Plan Trust, pending distribution, and to liquidate such investments (however, during its existence, the Plan Trust shall not receive or retain cash or cash equivalents in excess of a reasonable amount necessary to meet claims and contingent liabilities (including Disputed Claims) or to maintain the value of its assets during liquidation);
- (k) to execute, deliver, and perform any closing agreement made with the IRS;
- (l) to determine the manner of ascertainment of income and principal, and the apportionment of income and principal, and the apportionment between income and principal of all receipts and disbursements, and to select an annual accounting period;
- (m) change the state of domicile of the Plan Trust;
- (n) establish such funds, reserves and accounts within the Plan Trust estate, as deemed by the Plan Trustee in its discretion to be useful in carrying out the purposes of the Plan Trust;
- (o) sue and be sued and participate, as a party or otherwise, in any judicial, administrative, arbitative or other proceeding;

- (p) delegate any or all of the discretionary power and authority herein conferred at any time with respect to all or any portion of the Plan Trust estate to any one or more reputable individuals or recognized institutional advisers or investment managers without liability for any action taken or omission made because of any such delegation, except for such liability as is provided in Section 3.10;
- (q) undertake any duties or obligations and exercise any rights concerning the treatment of Claims or Equity Interests under the Plan;
- (r) to object to any Administrative Claims or other Claims (other than General Unsecured Claims), as appropriate;
- (s) execute, deliver and perform such other agreements and documents and to take or cause to be taken any and all such other actions as it may deem necessary or desirable to effectuate and carry out the purposes of this Plan Trust Agreement;
- (t) as soon as is practicable, request that the Bankruptcy Court enter a final decree fully and finally closing the Chapter 11 Case; and
- (u) undertake any action or perform any obligation provided for or required by the Plan.

5.3 Commingling of Plan Trust Assets. The Plan Trustee shall not commingle any of the Plan Trust Assets with its own property or the property of any other Person.

5.4 Employment and Compensation of Professionals. The Plan Trustee shall have the authority to employ and compensate attorneys, accountants, investment advisors and other professionals, including a Registrar and a disbursing agent to make Distributions (collectively, the “Plan Trustee Professionals”) as determined from time to time by the Plan Trustee, subject to the consent of JPMorgan, which consent shall not be unreasonably withheld. The Plan Trustee may pay the reasonable fees and expenses of such professionals as a Plan Trust Expense without application to the Bankruptcy Court, subject to the ongoing approval of JPMorgan, in its sole discretion. Upon request by JPMorgan, the Plan Trustee will provide copies of any invoices or billing summaries relating to professional fees incurred by the Plan Trust.

5.5 Dispute Resolution. In the event of a dispute between the Plan Trustee and JPMorgan, involving an allegation that either party has failed to act in a manner consistent with the Plan or the Plan Trust Agreement, or is in breach of any applicable fiduciary duty, the parties shall meet and confer and attempt to reach a consensual resolution of the dispute. Should a consensual resolution not be reached, the Plan Trustee or JPMorgan may seek appropriate relief from the Bankruptcy Court, and the Bankruptcy Court shall retain jurisdiction to resolve such disputes.

ARTICLE 6

OBLIGATIONS OF THE PLAN TRUSTEE

6.1 Reports and Records.

6.1.1 Consultation. The Plan Trustee shall consult with JPMorgan in good faith regarding all material issues affecting the Plan Trust. In addition, the Plan Trustee shall seek the advice of JPMorgan regarding proposed budgets for the Plan Trust, setting forth expected receipts and disbursements for litigation, operations, and other purposes, and shall obtain prior approval of JPMorgan for all fees, costs and expenses incurred in managing and prosecuting the Rights of Action.

6.1.2 Budget. The Plan Trustee shall cause to be prepared within 30 days before the end of each fiscal year, budget and cash flow projections covering the next fiscal year and each succeeding fiscal year for which estimates are feasible. On or before 30 days after the Effective Date, the Plan Trustee shall prepare a budget and cash flow projection for the current fiscal year. Such budget and cash flow projections shall be prepared by the Plan Trustee in consultation with JPMorgan.

6.1.3 Quarterly and Annual Reports. Unless otherwise instructed by JPMorgan (as Agent), the Plan Trustee shall cause to be prepared (a) within 45 days after the end of each of the first three quarters of a fiscal year (for such quarter) and (b) within 90 days after the end of each fiscal year (for such fiscal year), financial statements of the Plan Trust as of the end of and for such periods, prepared in accordance with GAAP, including (1) a balance sheet, (2) a statement of operations, (3) a statement of cash flows, (4) a schedule, summarizing by type of investment and asset, all acquisitions and dispositions, and (5) a summary listing of the status of the resolution of Claims by category and Claim, and (6) a summary of pending litigation. Unless otherwise instructed by JPMorgan (as Agent), such financial statements shall contain the following supplementary information, (A) a statement of changes in the number and amount of Beneficial Interests and Claims outstanding, including Distributions and cancellations from whatever source, (B) a schedule of investments acquired directly by the Plan Trust after the Effective Date, including the number of shares or principal amount, the name, a description, the cost, the date disposed of, proceeds of disposition, and gain or loss, and (C) a schedule of expenses of the Plan Trust, including accrued and paid administrative expenses. The financial statements prepared as of the end of the fiscal year may be audited by independent public accountants in accordance with generally accepted auditing standards. The materiality and scope of audit determinations shall be established between the Plan Trustee and the appointed auditors with a view toward safeguarding the value of the Plan Trust Assets, but nothing relating to the mutually agreed-on scope of work shall result in any limitation of audit scope that would cause the auditors to qualify their opinion as to scope of work with respect to such financial statements.

6.1.4 Distribution of Reports. Within ten business days after the end of the relevant report preparation period, the Plan Trustee shall distribute the information listed in Section 6.1.3 above to JPMorgan and to the Office of the United States Trustee, and shall file the same with the Clerk of the Bankruptcy Court.

6.1.5 Records. The Plan Trustee shall maintain records and books of account relating to the Plan Trust Assets, the management thereof and all transactions undertaken by the Plan Trustee, which records and books of account shall be maintained in accordance with GAAP consistently applied, except to the extent that any change is approved by the Plan Trust's independent public accountants. The Plan Trustee shall also maintain records and books of account relating to all Distributions contemplated under the Plan.

6.2 Eligible Investments. Cash held pending distribution, including Cash held in Trust Reserves, shall, to the extent permitted by applicable law, be invested by the Plan Trustee in (1) direct obligations of, or obligations guaranteed by, or obligations secured by, the United States of America (including without limitation United States Treasury Bills); (2) obligations of any agency or corporation that is or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof, or (3) demand deposits or short-term certificates of deposit at any bank or trust company that has, at the time of the acquisition by the Plan Trustee of such investments, capital stock and surplus aggregating at least \$100 million and whose short-term debt obligations are rated by at least two nationally recognized statistical rating organizations in one of the two highest categories therefor; provided, however, that the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to any amendment or addition to the Internal Revenue Code of 1986, as amended (the "Code") or to the Treasury Regulations, or any modification in IRS guidelines whether set forth in IRS rulings, other IRS pronouncements, or otherwise. Such investments shall mature in such amounts and at such times as, in the judgment of the Plan Trustee at the times such investments are made, are necessary, or are desirable with a view to providing funds when needed to make payments from the Plan Trust Assets. Any investment purchased with the Plan Trust Assets shall be deemed a part of the Plan Trust Assets. All interest, distributions, dividends and proceeds received by the Plan Trustee in respect of such investments shall be a part of the Plan Trust Assets.

6.3 Access to Information by Beneficiaries. Each Beneficiary shall have access to the business records of the Plan Trust for the purpose of obtaining information relating to the management of Plan Trust Assets for any purpose reasonably related to the interests generally of the Beneficiaries, so long as access is reasonably exercised during normal business hours (after at least two business days' notice to the Plan Trustee), does not constitute an undue burden on the Plan Trustee, and is not detrimental to the Plan Trust. Nothing herein contained is intended to restrict any Beneficiary from access to the business records of the Plan Trustee, which the Plan Trustee, in its discretion elects to provide.

6.4 United States Trustee Fees and Reports. After the Effective Date and until the Bankruptcy Case is closed, all fees incurred under 28 U.S.C. § 1930(a)(6) by reason of disbursements made under the Plan ("US Trustee Fees") shall be paid as follows. Until the earlier of (a) the termination of the Plan Trust, or (b) the closure of the Bankruptcy Case, the Plan Trust shall pay as a Plan Trust Operating Expense all US Trustee Fees arising from disbursements made by the Plan Trust or by the Unsecured Creditor Trust. Upon request by the Plan Trustee, the Unsecured Creditor Trustee will promptly deliver a statement reflecting all disbursements made during the course of a current or prior quarter. If applicable, the Unsecured

Creditor Trust shall pay (as an Unsecured Creditor Trust Operating Expense) US Trustee Fees arising from disbursements that occur after the termination of the Plan Trust. Transfers from the Plan Trust to the Unsecured Creditor Trust shall not constitute “disbursements” triggering fees under 28 U.S.C. § 1930(a)(6). After the Effective Date and during the existence of the Plan Trust, the Plan Trust shall serve on the Office of the United States Trustee a quarterly financial report for each calendar quarter, or portion thereof, that the Bankruptcy Case open (the “Quarterly UST Reports”). The Quarterly UST Reports shall include a statement of all disbursements made during the course of the quarter, whether or not pursuant to the Plan. If applicable, the Unsecured Creditor Trust shall serve the Quarterly UST Reports after termination of the Plan Trust.

6.5 Distribution of Net FedEx Recoveries. Within 30 days of receipt of Cash derived from the FedEx Litigation (through settlement, judgment or otherwise), the Plan Trustee will determine whether Net FedEx Recoveries exist. Within 30 days of determining that Net FedEx Recoveries exist, the Plan Trustee shall distribute fifteen percent (15%) of such Net FedEx Recoveries to the Unsecured Creditor Trust, less an amount necessary to pay any US Trustee Fees that will be triggered by the distribution of Net FedEx Recoveries to Class 1.1 and Class 4 Beneficiaries of the Unsecured Creditor Trust.

6.6 Payment of Certain Employment-Related Taxes to Unsecured Creditor Trustee. Within ___ Business Days after receipt of the written notification from the Unsecured Creditor Trustee of the employer’s share of federal income taxes, social security and medicare taxes, federal unemployment taxes and state employment taxes relating to the initial Distribution of \$4.0 million to be made under section 8.3.1 of the Unsecured Creditor Trust, the Plan Trustee shall pay the amount of such taxes to the Unsecured Creditors Trustee from the Priority Claim Fund.

ARTICLE 7 BENEFICIAL INTERESTS

7.1 Allocation of Class 3.1 Beneficial Interests. The Plan Trust shall allocate as of the Effective Date the Class 3.1 Beneficial Interest to JP Morgan, as Administrative Agent for JPMorgan and Jefferies.

7.2 Register Entries Regarding Beneficial Interests. The Plan Trustee or the Registrar shall make a notation in the Plan Trust Register that reflects the Class 3.1 Beneficial Interest held by JP Morgan, as Administrative Agent for JPMorgan and Jefferies.

7.3 Representation of Beneficial Interest. The Beneficial Interests shall be uncertificated. The Beneficial Interests shall be represented by appropriate book entries in the Trust Register.

7.4 Trust Register and Registrar.

7.4.1 Appointment of Registrar. The Plan Trustee shall appoint a Registrar for the purpose of registering Beneficial Interests as herein provided. The Registrar may be a duly qualified institution or the Plan Trustee. For its services hereunder, the Registrar, unless it

is the Plan Trustee, shall be entitled to receive reasonable compensation from the Plan Trust as a Plan Trust Operating Expense.

7.4.2 Register of Beneficial Interests. The Plan Trustee shall cause the Trust Register to be kept at the office of the Registrar or at such other place or places that shall be designated by the Plan Trustee from time to time.

7.4.3 Access to Register by Beneficiaries. Beneficiaries and their duly authorized representatives shall have the right, upon reasonable prior written notice to the Registrar and the Plan Trustee, and in accordance with reasonable regulations prescribed by the Registrar and the Plan Trustee, to inspect and at the expense of the Beneficiary make copies of the Trust Register, in each case for a purpose reasonable and related to such Beneficiary's Beneficial Interest in the Plan Trust.

7.4.4 Absolute Owners. The Plan Trustee may deem and treat the Beneficiary of record as determined pursuant to Section 7.1 or Section 7.2 of this Plan Trust Agreement as the absolute owner of such Beneficial Interests for the purpose of receiving Distributions and payment thereon or on account thereof and for all other purposes whatsoever.

7.5 Beneficial Interests Non-Transferable. Beneficial Interests shall not be transferred other than by operation of law.

ARTICLE 8 ADMINISTRATION OF THE TRUST ESTATE

8.1 Establishment of Available Cash. Prior to making any Distributions, the Plan Trustee shall determine the total amount of Available Cash, taking into account any Trust Reserves created pursuant to this Article 8.

8.2 Establishment of Trust Reserves and Related Matters.

8.2.1 Priority Claim Fund. Upon Closing, the Plan Trustee shall establish, fund and segregate the Priority Claim Fund in the amount of \$5 million to pay the Administrative Claims, Priority Unsecured Tax Claims, Class 1.2 Priority Unsecured Non-Tax Claims, Class 2 Secured Tax Claims and Class 3.3 Other Secured Claims, including any applicable interest accruing from the Effective Date to the Allowance Date. Any Distribution to holders of Administrative Claims, Priority Unsecured Tax Claims, Class 1.2 Priority Unsecured Non-Tax Claims, Class 2 Secured Tax Claims and Class 3.3 Other Secured Claims shall be fully and completely satisfied by the payment of Cash from the Priority Claim Fund in an amount equal to the Allowed amount of such claim in accordance with the Plan. To the extent any funds held in the Priority Claim Fund relate to an Administrative Claim, Priority Unsecured Tax Claim, Class 1.2 Priority Unsecured Non-Tax Claim, Class 2 Secured Tax Claim or Class 3.3 Other Secured Claims that has either been disallowed by the Bankruptcy Court or is no longer claimed as evidenced by a written release of such Claim, then such funds shall be distributed on the next Distribution Date to holders of Beneficial Interests as if such funds were Available Cash. The Priority Claim Fund shall be dissolved once all required payments have been made, and any unused balance of the Priority Claim Fund shall be included in Available Cash for distribution to Beneficiaries on the next Distribution Date. If any payment under this section is returned as

undeliverable, any check evidencing payment of such Claim remains uncashed for sixty (60) days after the date upon which the check was issued, or if a claimant fails to provide a correct address to the Plan Trustee, then the underlying Claim shall be deemed to be waived, and such funds shall be distributed on the next Distribution Date to holders of Beneficial Interests as if such funds were Available Cash.

8.2.2 Plan Trust Operating Reserve. At Closing, the Plan Trustee shall establish, fund and segregate the Plan Trust Operating Reserve in the amount of \$4 million for the payment of Plan Trust Operating Expenses, including, but not limited to (1) the unpaid liabilities, debts or obligations of the Plan Trust; (2) the fees of the Plan Trustee; (3) all fees associated with the retention of professionals by the Plan Trust; (4) the costs of pursuing, litigating, settling or abandoning any Rights of Action that constitute Plan Trust Assets (including the FedEx Litigation); and (5) any and all other costs associated with the liquidation or preservation of the Plan Trust Assets. The Plan Trust Operating Reserve may be funded from time to time with additional Trust Cash in an amount determined by the Plan Trustee, in consultation with JPMorgan, to be reasonably necessary to pay anticipated Plan Trust Operating Expenses, fund litigation, fund contingent liabilities, and otherwise conduct the affairs of the Plan Trust. Any unused balance of the Plan Trust Operating Reserve shall be included in Available Cash for distribution to Beneficiaries on the next Distribution Date.

8.2.3 Professional Compensation Claim Fund. At Closing, the Plan Trustee shall establish, fund and segregate the Professional Compensation Claim Fund in an amount sufficient to pay the claimed amount of all Professional Compensation Claims. Professional Compensation Claims shall be fully and completely satisfied in accordance with the Plan. After payment of all Professional Compensation Claims, any unused balance of the Professional Compensation Claim Fund shall be included in Available Cash for distribution to Beneficiaries on the next Distribution Date.

8.3 Distributions to Holders of Beneficial Interests.

8.3.1 Distributions Generally. The Plan Trustee shall only make Distributions from Available Cash, except as otherwise provided in Article 9 of this Plan Trust Agreement.

8.3.2 Distributions to Class 3.1 Beneficiaries. A Beneficiary who is the holder of a Class 3.1 Lender Claim shall periodically receive the Lender Distributions from Available Cash. The Plan Trustee shall make an initial Lender Distribution within ten (10) days of the Effective Date. Thereafter, the Plan Trustee shall make a Lender Distribution at least quarterly to the extent that Plan Trust Assets constituting Lender Recoveries become Available Cash.

8.3.3 Right to Setoff. The Plan Trustee may (but shall not be required to), pursuant to Bankruptcy Code sections 553 and 558 or applicable non-bankruptcy law, setoff against or recoup from any Distribution to a Beneficiary to be made under the Plan or this Plan Trust Agreement any claims or causes of action of any nature whatsoever the Plan Trustee may have against such Beneficiary; provided, however, that neither the failure to effect such offset or recoupment nor the allowance of any Claim shall constitute a waiver or release by the Plan

Trustee of any setoff or recoupment the Plan Trustee may have against such Beneficiary, nor of any other claim or cause of action.

8.4 Place and Manner of Payments or Distributions. The Plan Trustee shall make Distributions to the Beneficiaries of record as of the Distribution Record Date by transmitting such Distribution to JPMorgan as agent for the Beneficiaries. The Plan Trustee shall distribute any Cash by wire, check, or such other method as the Plan Trustee deems appropriate under the circumstances. Prior to receiving any Distributions, all Beneficiaries, at the Plan Trustee's request, must provide to the Plan Trustee written notification of their respective Federal Tax Identification Numbers or Social Security Numbers.

8.5 Minimum Distributions. Notwithstanding any other provision of this Plan Trust Agreement or the Plan to the contrary, there will be no Distributions of Available Cash unless the aggregate amount to be distributed on such date is at least \$100,000.00 (other than in connection with a final Distribution and payments to be made relating to the Priority Claim Fund, the Plan Trust Operating Reserve, or the Professional Compensation Claim Fund).

8.6 Unclaimed or Undeliverable Distributions. In the event (1) a Beneficiary or other claimant entitled to payments from the Plan Trust under the Plan fails to provide to the Plan Trustee its Federal Tax Identification Number within forty-five (45) days after the date of the Plan Trustee's written request, (2) a check issued to a Beneficiary or claimant remains uncashed for sixty (60) days after its issuance date, or (3) a Distribution or other payment is returned as undeliverable, then the Distribution or payment and any related Claim or obligation shall be deemed waived, such Beneficiary or claimant shall no longer be entitled to receive Distributions or payments, and such unclaimed or undeliverable Distribution or payment shall be distributed on the next Distribution Date to the holders of Beneficial Interests as if such Distribution were Available Cash.

8.7 Tax Matters.

8.7.1 Certain Income Tax Matters. The Plan Trust established pursuant to this Plan Trust Agreement is established for the purpose of satisfying claims by liquidating the Plan Trust Assets transferred to it and the Plan Trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Plan Trust. The purpose of the Plan Trust is to provide a mechanism for the liquidation of the Plan Trust Assets of the Debtor, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Plan Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Plan Trust other than those associated with or related to the liquidation of the Plan Trust Assets. It is intended that the Plan Trust be classified for federal income tax purposes as a "liquidating trust" within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties hereto shall treat the transfers in trust described herein as transfers to the Beneficiaries for all purposes of the Code (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties hereto shall treat the transfers in trust as if all the transferred assets, including all the Plan Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Plan Trust. The Beneficiaries shall be treated for all purposes of the Code as the grantors of the Plan Trust and the owners of the Plan Trust. The

Plan Trustee shall file returns for the Plan Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). The income of the Plan Trust will be treated as subject to tax on a current basis, and the Beneficiaries (except to the extent a Beneficiary is the Internal Revenue Service) shall be responsible for payment of any taxes due with respect to the operations of the Plan Trust. During its existence, the Plan Trust shall not receive or retain cash or cash equivalents in excess of a reasonable amount necessary to meet claims and contingent liabilities (including Disputed Claims) or to maintain the value of its assets during liquidation. The Plan Trustee shall use its continuing best efforts to dispose of the Plan Trust Assets, make timely distributions, and shall not unduly prolong the duration of the Plan Trust. The Plan Trustee is authorized to take any action as may be necessary or appropriate to minimize any potential tax liability of the Plan Trust and, thereafter, the Beneficiaries arising out of the operations of the Plan Trust. The Plan Trustee is directed to allocate all costs, charges, expenses and deductions, or any of them in whole or in part, to income or principal at such time and in such a manner as the Plan Trustee shall determine will reduce or eliminate the Plan Trust's taxes, if any. The Plan Trust shall distribute, at least annually, all income and gain; Cash (whether or not allocable to income or principal, including all capital gains allocable to principal); any other property the Plan Trustee in its discretion determines is properly distributable (whether out of income or principal); and liquidation proceeds to the Beneficiaries, after payment of expenses and liabilities, less the reasonably necessary reserves for expenses and other Plan Trust Operating Expenses.

8.7.2 Consistent Valuation of Plan Trust Assets for Tax Purposes. The parties hereto, including the Plan Trustee and the Beneficiaries shall value the property transferred to the Plan Trust consistently and such valuations shall be used for all federal income tax purposes.

8.7.3 Withholding. The Plan Trustee may withhold from the amount distributable from the Plan Trust at any time to any Person (except with respect to the Internal Revenue Service) such sum or sums as may be sufficient to pay any tax or taxes or other charge or charges that have been or may be imposed on such Person or upon the Plan Trust with respect to the amount distributable or to be distributed under the income tax laws of the United States or of any state or political subdivision or entity by reason of any Distribution provided for in this Article 8, whenever such withholding is determined by the Plan Trustee in its discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement, and the Plan Trustee, in the exercise of its discretion and judgment, may enter into agreements with taxing or other authorities for the payment of such amounts as may be withheld in accordance with the provisions of this Section 8.7.3. Notwithstanding the foregoing but without prejudice to the Plan Trustee's rights hereunder, such Person shall have the right with respect to the United States, or any state, or any political subdivision of either, to contest the imposition of any tax or other charge by reason of any Distribution hereunder.

8.7.4 Tax Reporting. To the extent that any Beneficiary may be able to use the installment method of reporting income with respect to any Distribution, the Plan Trustee will annually compile and disseminate to Beneficiaries who request such information all available tax return information with respect to interest (stated or unstated) and otherwise necessary or useful in reporting under the installment method.

8.7.5 Interest. In the Plan Trustee's discretion, interest received with respect to principal distributed pursuant to this Plan Trust Agreement shall be distributed along with the underlying principal.

8.7.6 Allocation of Income and Losses. Unless otherwise determined by the Plan Trustee in its reasonable discretion, allocations between Beneficiaries of taxable income of the Plan Trust for each of its tax years shall be determined by reference to the manner in which an amount of Cash in the Plan Trust equal to the amount of such taxable income of the Plan Trust would be distributed (without regard to any restrictions on Distributions described in the Plan) if, immediately before such deemed Distribution, the Plan Trust had distributed all its other assets in the Plan Trust (valued for this purpose at their tax book value) in respect of the Beneficial Interests, taking into account all prior and concurrent Distributions from the Plan Trust made in accordance with the Plan. Similarly, taxable loss generally will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating Distribution of the remaining assets of the Plan Trust. The tax book value of assets for purpose of this Plan Trust Agreement means their fair-market value on the Effective Date or, if later, the date on which such assets were acquired by the Plan Trust, adjusted in either case in accordance with applicable tax accounting principles. With regard to transfers of Beneficial Interests in accordance with Article 7 hereof the Plan Trustee shall promptly establish a standard convention for allocating and apportioning taxable income and loss between a transferor and its transferee and shall not be required to so allocate and apportion based on the actual Plan Trust activities prior and subsequent to the date of any transfer. The Plan Trustee shall notify the Beneficiaries of the convention adopted promptly after such adoption. The Plan Trustee shall use its sole discretion to establish a fair and equitable convention to apply and may, but is not required to, adopt a monthly, quarterly, or similar Distribution Record Date convention.

ARTICLE 9 **TERMINATION**

The Plan Trust shall terminate upon the earlier of (1) the date which is 5 years after the date this Plan Trust is created, (2) payment in full of all Class 3.1 Allowed Lender Secured Claims, or (3) the distribution of all Plan Trust Assets. Notwithstanding the foregoing, with Bankruptcy Court approval and the consent of JPMorgan, the Plan Trustee may extend the term of the Plan Trust for one or more finite terms based upon the particular facts and circumstances at that time, if it is in the best interest of the Beneficiaries and an extension is necessary to the liquidating purpose of the Plan Trust. Each such extension, however, must be approved by the Bankruptcy Court within six (6) months of the beginning of any extended term. If permitted under applicable law and not contrary to the classification of the Plan Trust as a liquidating trust and a pass-through entity under applicable income tax law, and if in the best interests of the Beneficiaries, the Plan Trustee may distribute interests in the Plan Trust Assets or distribute the Plan Trust Assets to another Person and then distribute interests in such Person to the Beneficiaries. Plan Trust Assets to be distributed in kind shall be valued by the Plan Trustee in its reasonable discretion at their tax book value. After all liabilities of the Plan Trust have been satisfied or duly provided for, such remaining Plan Trust Assets shall be distributed to Beneficiaries as a final Distribution. The Plan Trust may not be terminated at any time by the Beneficiaries.

ARTICLE 10
MISCELLANEOUS

10.1 Notices. Any notice required to be given by this Plan Trust Agreement to all Beneficiaries shall be in writing and shall be sent by overnight delivery or by facsimile. All other notices, requests or other communications required or permitted to be made in accordance with this Plan Trust Agreement shall be in writing and shall be delivered by U.S. certified mail, return receipt requested, to:

(a) If to the Plan Trustee:

Attention: _____

(b) if to any Beneficiary in such Beneficiary's capacity as a Beneficiary, at such Beneficiary's address as listed in the Plan Trust Register or as identified in a written request for notice delivered to the Plan Trustee.

(c) If to JPMorgan:

Attention: _____

(d) If to The Unsecured Creditor Trustee:

Attention: _____

with a copy to:

Attention: _____

Notice mailed shall be effective on the date mailed. All other notices shall be effective on the date of delivery. Any Person may change the address at which it is to receive notices under this Plan Trust Agreement by furnishing written notice pursuant to the provisions of this Section 10.1 to the entity to be charged with knowledge of such change.

10.2 Amendment. Material amendments to this Plan Trust Agreement require Bankruptcy Court approval after notice to Beneficiaries. This Plan Trust Agreement may be amended by the Plan Trustee without Bankruptcy Court approval to correct typographical errors or if such amendment is not material and does not adversely affect the interests of any Beneficiary, but such amendment shall not be effective until 45 days after the Beneficiaries shall have been given notice of such amendment. The Plan Trustee shall consult with JPMorgan before making any non-material amendment and before seeking Bankruptcy Court approval of any material amendment.

10.3 Counterparts. This Plan Trust Agreement may be executed in one or more Counterparts, all of which shall taken together to constitute one and the same instrument.

10.4 Governing Law; Severability. This Plan Trust Agreement shall be governed by construed under and interpreted in accordance with the laws of the State of New York. If a court of competent jurisdiction determines that any provision of this Plan Trust Agreement is invalid or unenforceable under such applicable law, such invalidity or unenforceability shall not invalidate the entire Plan Trust Agreement. In that case, this Plan Trust Agreement shall be construed so as to limit any term or provision so as to make it enforceable or valid within the requirements of applicable law, and, if such term or provision cannot be so limited, this Plan Trust Agreement shall be construed to omit such invalid or unenforceable provisions, provided that such construction, to the maximum extent possible, shall give effect to the purposes of the Plan.

10.5 Headings. Sections, subheadings and other headings used in this Plan Trust Agreement are for convenience only and shall not affect the construction of this Plan Trust Agreement.

10.6 Relationship to Plan. The Plan Trustee shall have full power and authority to take any action consistent with the purpose and provisions of the Plan and shall be bound by the terms of the Plan. In the event of a conflict between the Plan (excluding this Plan Trust Agreement) and this Plan Trust Agreement, the Plan shall govern.

10.7 Consent to Jurisdiction. Each of the parties hereto (and each Beneficiary by its acceptance of the benefits of the Plan Trust created hereunder) (1) consents and submits to the jurisdiction of the Courts of the State of Indiana and of the Courts of the United States for the District of Indiana for all purposes of this Plan Trust Agreement, including, without limitation, any action or proceeding instituted for the enforcement of any right, remedy, obligation, or liability arising under or by reason hereof, and (2) consents and submits to the venue of such action or proceeding in the City of Indianapolis (or such Judicial District of a Court of the United States as shall include the same).

10.8 Waiver of Jury Trial. ANY AND ALL RIGHT TO TRIAL BY JURY IS HEREBY WAIVED, AND THERE SHALL BE NO RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS TRUST AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

IN WITNESS WHEREOF, the parties hereto have executed this Plan Trust Agreement or have caused this Plan Trust Agreement to be duly executed by duly authorized officers as of the day and year first above written.

PLAN TRUSTEE

By:_____

Print : _____

Title: Trustee

ATA AIRLINES, INC.

By:_____

Print:_____

Title:_____

EXHIBIT A TO THE ATA PLAN TRUST

CONFIDENTIALITY AGREEMENT

EXHIBIT C TO THE CHAPTER 11 PLAN

THE LIQUIDATING TRUST AGREEMENT FOR THE
ATA UNSECURED CREDITOR TRUST

**LIQUIDATING TRUST AGREEMENT
FOR THE ATA UNSECURED CREDITOR TRUST**

DATED: _____, 2009

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LIQUIDATING TRUST AGREEMENT
FOR THE ATA UNSECURED CREDITOR TRUST

THIS TRUST AGREEMENT (the "Unsecured Creditor Trust Agreement") is made as of this ____ day of _____, 2009, by and between ATA AIRLINES, INC., a corporation organized under the laws of the State of Indiana ("Debtor" or "ATA") for the benefit of the Beneficiaries entitled to the Unsecured Creditor Trust Assets (as defined in the Chapter 11 Plan of the Debtor Dated _____, 2008 (the "Plan")), and _____ as trustee (the "Unsecured Creditor Trustee").

RECITALS

WHEREAS on April 2, 2008, ATA filed with the Bankruptcy Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On _____, 2008, ATA filed the Plan. This Unsecured Creditor Trust Agreement is executed to facilitate implementation of the Plan. Under the terms of the Plan, the Unsecured Creditor Trust Assets will be transferred to the Unsecured Creditor Trust created and evidenced hereby so that (1) the Unsecured Creditor Trust Assets can be held in trust for the benefit of the Beneficiaries entitled thereto for the objectives and purposes set forth herein and in the Plan, (2) certain Claims can be resolved, (3) Distributions may be made in accordance with the Plan, (4) the Unsecured Creditor Trust Assets can be liquidated, and (5) administrative services relating to the activities of the Unsecured Creditor Trust and relating to the implementation of the Plan can be performed by the Unsecured Creditor Trustee. The Unsecured Creditor Trustee will make continuing efforts to dispose of the Unsecured Creditor Trust Assets, make timely distributions, and not unduly prolong the duration of the Unsecured Creditor Trust.

DECLARATION OF TRUST

NOW, THEREFORE, to declare the terms and conditions hereof, and in consideration of the confirmation of the Plan pursuant to the Bankruptcy Code and other good and valuable consideration, the receipt of which is hereby acknowledged, ATA and the Unsecured Creditor Trustee have executed this Unsecured Creditor Trust Agreement for the benefit of the Beneficiaries entitled to the Unsecured Creditor Trust Assets, and, at the direction of such Beneficiaries (because the transfer of title to undivided interests in each of the Unsecured Creditor Trust Assets to such Beneficiaries, and the transfer of such interests by such Beneficiaries to the Unsecured Creditor Trust, would be impractical), absolutely and irrevocably assign to the Unsecured Creditor Trustee and to its successors or assigns, all right, title, and interest of ATA in and to the Unsecured Creditor Trust Assets in the form and manner provided for in the Plan;

TO HAVE AND TO HOLD unto the Unsecured Creditor Trustee and its successors in trust and its successors and assigns;

IN TRUST NEVERTHELESS, under and subject to the terms and conditions of the Plan and this Unsecured Creditor Trust Agreement for the benefit of the Beneficiaries of the Unsecured Creditor Trust (as their respective interests may appear in accordance with the Plan and this Unsecured Creditor Trust Agreement);

PROVIDED, HOWEVER, that upon termination of the Unsecured Creditor Trust in accordance with Article 8 hereof, this Unsecured Creditor Trust Agreement shall cease, terminate, and be of no further force and effect.

IT IS HEREBY FURTHER COVENANTED AND DECLARED, that the Unsecured Creditor Trust Assets are to be held and applied by the Unsecured Creditor Trustee subject to the further covenants, conditions, and terms set forth below.

ARTICLE 1 **DEFINITIONS**

1.1 Terms Used in the Plan. If not defined in this Unsecured Creditor Trust Agreement, capitalized terms have the meanings assigned to them in the Plan.

1.2 General Construction. As used in this Unsecured Creditor Trust Agreement, the masculine, feminine and neuter genders, and the plural and singular numbers shall be deemed to include the others in all cases where they would apply. “Includes” and “including” are not limiting, and “or” is not exclusive. References to “Articles,” “Sections” and other subdivisions, unless referring specifically to the Plan or provisions of the Bankruptcy Code, the Bankruptcy Rules, or other law, statute or regulation, refer to the corresponding Articles, Sections, and other subdivisions of this Unsecured Creditor Trust Agreement, and the words “herein,” “hereafter,” and words of similar import refer to this Unsecured Creditor Trust Agreement as a whole and not to any particular Article, Section, or subdivision of this Unsecured Creditor Trust Agreement.

ARTICLE 2 **THE UNSECURED CREDITOR TRUST**

2.1 Creation and Name. There is hereby created the Unsecured Creditor Trust, which shall be known as the “ATA Unsecured Creditor Trust.”

2.2 Objectives, Purposes and Structure of the Unsecured Creditor Trust. The Unsecured Creditor Trust is created on behalf of, and for the sole benefit of, the Beneficiaries. The purpose of the Unsecured Creditor Trust is to provide a mechanism for the liquidation of the Unsecured Creditor Trust Assets, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Unsecured Creditor Trust, to the holders of Beneficial Interests and certain Allowed Claims in accordance with the terms of the Plan. No business activities will be conducted by the Unsecured Creditor Trust other than those associated with or related to the liquidation and distribution of the Unsecured Creditor Trust Assets as provided for in the Plan and this Unsecured Creditor Trust Agreement, and such assets are being transferred to the Unsecured Creditor Trust with no objective to engage in such activities. In furtherance of this objective, the Unsecured Creditor Trustee shall make continuing good faith efforts to (1) dispose of the Unsecured Creditor Trust Assets, (2) make timely Distributions, and (3) not unduly prolong the duration of the Unsecured Creditor Trust, in accordance with this Unsecured Creditor Trust Agreement. The purposes of the Unsecured Creditor Trust are as follows, and the Unsecured Creditor Trust shall have no other purpose or activities:

(a) to marshal, liquidate, and distribute the Unsecured Creditor Trust Assets in an expeditious but orderly manner;

(b) to perform the functions and take the actions provided for or permitted by the Plan, this Unsecured Creditor Trust Agreement and in any other agreement executed by the Unsecured Creditor Trustee for the Unsecured Creditor Trust pursuant to the Plan;

(c) to investigate, prosecute, settle, or abandon the Preference Actions assigned to the Unsecured Creditor Trust under the Plan as Unsecured Creditor Trust Assets and to distribute the proceeds of any recoveries thereon in accordance with the terms of the Plan and this Unsecured Creditor Trust Agreement;

(d) to make Distributions to the holders of Allowed Priority Unsecured Employee Claims in accordance with the Plan and to pay the employer's portion of related federal income taxes, social security and Medicare taxes, federal unemployment taxes and any applicable state unemployment taxes;

(e) to reconcile, object to, prosecute, or settle all General Unsecured Claims against Debtor for purposes of determining the appropriate amount of Distributions to be made hereunder to the Beneficiaries under the terms and conditions set forth in this Unsecured Creditor Trust Agreement; and

(f) to make Distributions to the holders of Allowed General Unsecured Claims in accordance with the Plan.

2.3 Grant and Acceptance.

2.3.1 Grant of the Unsecured Creditor Trust Assets. Under the terms of the Plan and the Confirmation Order, effective as of the Effective Date of the Plan, the Debtor's Estate shall be deemed to have irrevocably granted, transferred, conveyed, and delivered to the Unsecured Creditor Trustee, on behalf of, and for the benefit of, the Beneficiaries, control of, and all the rights, title and interests in and to, the Unsecured Creditor Trust Assets, with no reversionary interest therein in favor of the Debtor or its estate.

2.3.2 Acceptance by Unsecured Creditor Trustee. The Unsecured Creditor Trustee accepts the trust terms imposed under this Unsecured Creditor Trust Agreement and agrees to manage the Unsecured Creditor Trust in accordance with this Unsecured Creditor Trust Agreement and subject to the terms and conditions of the Plan.

2.4 Further Assurances. ATA (and any successors thereto) will, upon reasonable request of the Unsecured Creditor Trustee, execute, acknowledge, and deliver such further instruments and do such further acts as may be necessary or proper to transfer to the Unsecured Creditor Trustee any portion of the Unsecured Creditor Trust Assets intended to be conveyed hereby in the form and manner provided for in the Plan and to vest in the Unsecured Creditor Trustee the powers, instruments, or funds in trust hereunder.

2.5 Nature of Unsecured Creditor Trust Assets. The Unsecured Creditor Trust shall not receive transfers of any listed stock or securities or any readily marketable assets, any operating assets of a going business or fifty percent (50%) or more of the stock of a corporation with operating assets. Furthermore, the Unsecured Creditor Trust shall not receive transfers of any unlisted stock of a single issuer that represents 80 percent or more of the stock of such issuer, and shall not receive transfers of any general or limited partnership interests.

2.6 Ownership by Unsecured Creditor Trustee. The Unsecured Creditor Trustee shall promptly record or register in its name, as Unsecured Creditor Trustee, or in the name or names of any nominee or Person in accordance with Section 4.1 hereof, ownership of and title to all Unsecured Creditor Trust Assets received by it as Unsecured Creditor Trustee and comply with all provisions of law that may bear on the evidencing of ownership of and title to any portion of the Unsecured Creditor Trust Assets as are necessary and appropriate and that the Unsecured Creditor Trustee determines are in the best interests of the Unsecured Creditor Trust.

2.7 Incidents of Ownership. The Beneficiaries shall be the sole beneficiaries of the Unsecured Creditor Trust and the Unsecured Creditor Trustee shall retain only such incidents of ownership as are necessary to undertake the actions and transactions authorized herein.

2.8 Payment of Unsecured Creditor Trust Operating Expenses. To the extent the Unsecured Creditor Trustee deems reasonably appropriate, Unsecured Creditor Trust Operating Expenses shall be paid from the Unsecured Creditor Trust Operating Reserve.

ARTICLE 3 THE UNSECURED CREDITOR TRUSTEE

3.1 Number and Qualifications. Except as otherwise provided herein, there shall be one Unsecured Creditor Trustee of the Unsecured Creditor Trust, who shall be the Person nominated by the Committee, the Unions and Batman and approved by the Bankruptcy Court as provided in the Plan. The Unsecured Creditor Trustee may give a bond or other surety in an amount to be approved by the Bankruptcy Court, as applicable. All costs and expenses of procuring any such bond shall be paid as an Unsecured Creditor Operating Expense. The Unsecured Creditor Trustee shall be entitled to engage in such other activities as the Unsecured Creditor Trustee deems appropriate, so long as such activities are not in conflict with the interests of the Unsecured Creditor Trust and the Unsecured Creditor Trustee devotes such time as is necessary to fulfill all of the Unsecured Creditor Trustee's duties as Unsecured Creditor Trustee.

3.2 Action by Unsecured Creditor Trustee. The Unsecured Creditor Trust shall be managed by the Unsecured Creditor Trustee as set forth in this Unsecured Creditor Trust Agreement.

3.3 Binding Nature of Unsecured Creditor Trustee's Action. All actions taken and determinations made by the Unsecured Creditor Trustee in accordance with the provisions of the Plan or this Unsecured Creditor Trust Agreement shall be final and binding upon any and all Persons holding Beneficial Interests in the Unsecured Creditor Trust.

3.4 Term of Service. The Unsecured Creditor Trustee shall serve as the Unsecured Creditor Trustee for the duration of the Unsecured Creditor Trust, subject to earlier death, resignation, or removal.

3.5 Resignation. The Unsecured Creditor Trustee may resign as Unsecured Creditor Trustee of the Unsecured Creditor Trust by an instrument in writing delivered to the Oversight Committee at least 60 days before the proposed effective date of resignation. The Unsecured Creditor Trustee shall continue to serve as Unsecured Creditor Trustee after the delivery of the Unsecured Creditor Trustee's resignation until the proposed effective date of the Unsecured Creditor Trustee's resignation, unless the Oversight Committee consents by majority vote to an earlier effective date of the Unsecured Creditor Trustee's resignation, which shall be the date of appointment of a successor Unsecured Creditor Trustee in accordance with Section 3.7 hereof becomes effective, but nothing in this Section 3.5 shall restrict the right to remove the Unsecured Creditor Trustee as provided in Section 3.6 hereof.

3.6 Removal. Upon a majority vote of the Oversight Committee, the Unsecured Creditor Trustee may be removed from office for: (1) fraud or willful misconduct in connection with the affairs of the Unsecured Creditor Trust, (2) such physical or mental disability as substantially prevents the Unsecured Creditor Trustee from performing the duties of Unsecured Creditor Trustee hereunder, or (3) for cause, which shall include a breach of fiduciary duty or an unresolved conflict of interest. Alternatively, the Unsecured Creditor Trustee may be removed upon unanimous vote of the Oversight Committee.

3.7 Appointment of Successor Unsecured Creditor Trustee.

3.7.1 Appointment of Successor Unsecured Creditor Trustee. In the event of a vacancy by reason of the death or removal of the Unsecured Creditor Trustee or prospective vacancy by reason of resignation, a successor Unsecured Creditor Trustee shall be appointed by the Oversight Committee upon a majority vote. The Oversight Committee may appoint a successor Unsecured Creditor Trustee as soon as practicable, but in any event within 30 days after the occurrence of the vacancy or, in the case of resignation, at least 30 days before the proposed resignation. If the Oversight Committee fails to appoint a successor Unsecured Creditor Trustee within the prescribed period or cannot select a successor by a majority vote, any member of the Oversight Committee or any Beneficiary may nominate a successor Unsecured Creditor Trustee and seek Bankruptcy Court approval of the proposed successor Unsecured Creditor Trustee.

3.7.2 Vesting of Rights in Successor Unsecured Creditor Trustee. Every successor Unsecured Creditor Trustee shall execute, acknowledge, and deliver to the Unsecured Creditor Trust, the Oversight Committee, and the retiring Unsecured Creditor Trustee, if any, an instrument accepting such appointment subject to the terms and provisions hereof. The successor Unsecured Creditor Trustee shall provide a bond or surety as provided in Section 3.1. The successor Unsecured Creditor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Unsecured Creditor Trustee, except that the successor Unsecured Creditor Trustee shall not be liable for the acts or omissions of the retiring Unsecured Creditor Trustee.

3.8 Continuance of Unsecured Creditor Trust. The death, resignation, or removal of the Unsecured Creditor Trustee shall not operate to terminate the Unsecured Creditor Trust or to revoke any existing agency (other than any agency of the Unsecured Creditor Trustee as the Unsecured Creditor Trustee) created pursuant to the terms of this Unsecured Creditor Trust Agreement or invalidate any action taken by the Unsecured Creditor Trustee, and the Unsecured Creditor Trustee agrees that the provisions of this Unsecured Creditor Trust Agreement shall be binding upon and inure to the benefit of the Unsecured Creditor Trustee and the Unsecured Creditor Trustee's heirs, legal and personal representatives, successors or assigns, as the case may be. In the event of the resignation or removal of the Unsecured Creditor Trustee, the Unsecured Creditor Trustee shall promptly (1) execute and deliver by the effective date of resignation or removal such documents, instruments, and other writings as may be reasonably requested by the successor Unsecured Creditor Trustee to effect the termination of the resigning or removed Unsecured Creditor Trustee's capacity under this Unsecured Creditor Trust Agreement and the conveyance of the Unsecured Creditor Trust Assets then held by the resigning or removed Unsecured Creditor Trustee to the successor Unsecured Creditor Trustee; (2) deliver to the successor Unsecured Creditor Trustee all documents, instruments, records, and other writings relating to the Unsecured Creditor Trust as may be in the possession or under the control of the resigning or removed Unsecured Creditor Trustee; and (3) otherwise assist and cooperate in effecting the assumption of the resigning or removed Unsecured Creditor Trustee's obligations and functions by the successor Unsecured Creditor Trustee. The resigning or removed Unsecured Creditor Trustee hereby irrevocably appoints the successor Unsecured Creditor Trustee as its attorney-in-fact and agent with full power of substitution for it and its name, place and stead to do any and all acts that such resigning or removed Unsecured Creditor Trustee is obligated to perform under this Section 3.8. Such appointment shall not be affected by the subsequent disability or incompetence of the Unsecured Creditor Trustee making such appointment.

3.9 Compensation. As compensation for services as Unsecured Creditor Trustee, and under any other agreements to which the Unsecured Creditor Trustee is a party as contemplated by the Plan, the Unsecured Creditor Trustee shall receive the compensation provided for in a separate compensation arrangement approved by the Committee and the Bankruptcy Court at the time of Plan confirmation. Compensation of any successor Unsecured Creditor Trustee shall be determined and approved by majority vote of the Oversight Committee.

3.10 Standard of Care; Indemnification; Exculpation. The Unsecured Creditor Trustee, acting in the capacity as the Unsecured Creditor Trustee or in any other capacity contemplated by this Unsecured Creditor Trust Agreement or the Plan, shall not be personally liable in connection with the affairs of the Unsecured Creditor Trust to the Unsecured Creditor Trust or to any Person except for its acts or omissions that constitute fraud, willful misconduct, or gross negligence. The Unsecured Creditor Trustee shall not be personally liable to the Unsecured Creditor Trust or to any Person for the acts or omissions of any officer, employee, or agent of the Unsecured Creditor Trust unless the Unsecured Creditor Trustee acted with gross negligence or willful misconduct in the selection, retention, or supervision of such officer, employee, or agent of the Unsecured Creditor Trust. Except in those situations in which the Unsecured Creditor Trustee is not exonerated of personal liability in accordance with the foregoing, the Unsecured Creditor Trustee (including each former Unsecured Creditor Trustee) shall be indemnified by the Unsecured Creditor Trust against and held harmless by the

Unsecured Creditor Trust from any losses, claims, damages, liabilities or expenses (including, without limitation, attorney fees, disbursements, and related expenses) to which the Unsecured Creditor Trustee may become subject in connection with any action, suit, proceeding, or investigation brought or threatened against the Unsecured Creditor Trustee in the Unsecured Creditor Trustee's capacity as Unsecured Creditor Trustee, or in any other capacity contemplated by this Unsecured Creditor Trust Agreement or the Plan or in connection with any matter arising out of or related to the Plan, this Unsecured Creditor Trust Agreement, or the affairs of the Unsecured Creditor Trust. If the Unsecured Creditor Trustee becomes involved in any action, proceeding, or investigation in connection with any matter arising out of or in connection with the Plan, this Unsecured Creditor Trust Agreement or the affairs of the Unsecured Creditor Trust, the Unsecured Creditor Trust shall periodically advance or otherwise reimburse on demand the Unsecured Creditor Trustee's reasonable legal and other expenses (including, without limitation, attorney fees, disbursements, and related expenses) incurred in connection therewith, but the Unsecured Creditor Trustee shall be required to repay promptly to the Unsecured Creditor Trust the amount of any such advanced or reimbursed expenses paid to the Unsecured Creditor Trustee to the extent that it shall be ultimately determined by Final Order that the Unsecured Creditor Trustee engaged in fraud, willful misconduct, or gross negligence in connection with the affairs of the Unsecured Creditor Trust with respect to which such expenses were paid. The Unsecured Creditor Trust may indemnify and hold harmless the employees and agents of the Unsecured Creditor Trust, including the members of the Oversight Committee, to the same extent as provided in this Section 3.10 for the Unsecured Creditor Trustee. The provisions of this Section 3.10 shall remain available to and be binding on any former Unsecured Creditor Trustee or the estate of any decedent Unsecured Creditor Trustee.

3.11 Reliance by Unsecured Creditor Trustee. The Unsecured Creditor Trustee may rely, and shall be fully protected in acting or refraining from acting, on any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, or other instrument or document that the Unsecured Creditor Trustee has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of facsimiles, to have been sent by the proper party or parties, and the Unsecured Creditor Trustee may conclusively rely as to the truth of the statements and correctness of the opinions expressed therein, but the Unsecured Creditor Trustee shall be under a duty to have examined, or caused to be examined, the same to determine whether or not such writings conform to the requirements of this Unsecured Creditor Trust Agreement. The Unsecured Creditor Trustee may consult with counsel, and any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Unsecured Creditor Trustee in accordance therewith. The Unsecured Creditor Trustee shall have the right at any time to seek instructions from the Bankruptcy Court (or any other court of competent jurisdiction after the chapter 11 case is finally closed) concerning the Unsecured Creditor Trust Assets, this Unsecured Creditor Trust Agreement, the Plan, or any other document executed in connection therewith, and any such instructions given shall be full and complete authorization in respect of any action taken or suffered by the Unsecured Creditor Trustee in accordance therewith.

3.12 Reliance by Persons Dealing With the Unsecured Creditor Trust. In the absence of actual knowledge to the contrary, any person dealing with the Unsecured Creditor Trust shall be entitled to rely on the authority of the Unsecured Creditor Trustee to act in

connection with the acquisition, management, or disposition of Unsecured Creditor Trust Assets and shall have no obligation to inquire into the existence of such authority.

3.13 Discharge of Unsecured Creditor Trustee.

3.13.1 Statement of Discharge. The Unsecured Creditor Trustee shall upon termination of the Unsecured Creditor Trust or upon the Unsecured Creditor Trustee's resignation, removal, or death (in which case the Unsecured Creditor Trustee's estate shall) render a statement of charge and discharge containing the following information: (1) all assets and funds of the Unsecured Creditor Trust originally charged under the Unsecured Creditor Trustee's control, (2) a summarized accounting, in sufficient detail, of all purchases, sales, gains, losses, and income in connection with the Unsecured Creditor Trust during the Unsecured Creditor Trustee's term of service, and (3) the ending balance of all assets and funds of the Unsecured Creditor Trust as of the date of discharge. At the discretion of the Unsecured Creditor Trustee and Oversight Committee, such statement may be audited by independent accountants in accordance with generally accepted auditing standards.

3.13.2 Approval of Statement of Discharge. The statement of charge and discharge required by Section 3.13.1 shall be presented to the Oversight Committee and the Plan Trustee and shall be filed with the Bankruptcy Court. Unless a majority of the Oversight Committee requests that such statement of charge and discharge not be approved within 30 days after the date on which such statement of charge and discharge was presented to the Oversight Committee, the withdrawing Unsecured Creditor Trustee shall be discharged from all liability to the Unsecured Creditor Trust or any Person who has had or may then or thereafter have an interest in the Unsecured Creditor Trust for acts or omissions in the Unsecured Creditor Trustee's capacity as the Unsecured Creditor Trustee or in any other capacity contemplated by this Unsecured Creditor Trust Agreement or the Plan.

3.13.3 Costs Relating to Statement of Discharge. The expenses of any accounting, including, but not limited to any statement of charge or discharge, shall be paid by the Unsecured Creditor Trust as an Unsecured Creditor Operating Expense.

3.13.4 Confidentiality. The Unsecured Creditor Trustee shall, during the period that he serves as Unsecured Creditor Trustee under this Unsecured Creditor Trust Agreement and for a period of twelve (12) months following the termination of this Unsecured Creditor Trust Agreement or following his removal or resignation hereunder, hold strictly confidential and not use for personal gain any material, non-public information of or pertaining to any entity to which any of the Unsecured Creditor Trust Assets relates or of which he has become aware in his capacity as Unsecured Creditor Trustee.

ARTICLE 4 OVERSIGHT COMMITTEE

4.1 Appointment of the Oversight Committee. On the Effective Date, the Oversight Committee shall be established, and the members will be the Committee and one representative designated by Batman (the "Batman Designee").

4.1.1 Term of Oversight Committee Members. Oversight Committee members shall serve until the earlier of (1) the effective date of the resignation or removal of such member; (2) the date on which the Unsecured Creditor Trustee has finally determined that all Class 1.1 and all Class 4 Beneficial Interests and all Claims held by such Beneficiaries holding Class 1.1 Priority Employee Claims and Class 4 General Unsecured Claims have been satisfied in accordance with the Plan, or (3) the termination of the Unsecured Creditor Trust pursuant to the terms of this Unsecured Creditor Trust Agreement.

4.1.2 Conflicts of Interest. The Unsecured Creditor Trustee shall have authority to exclude any Oversight Committee member from any deliberations, or withhold any information from any Oversight Committee member, regarding matters affecting the Unsecured Creditor Trust or Unsecured Creditor Trust Assets in which such excluded member is encumbered by a conflict of interest. The non-conflicted members of the Oversight Committee may overrule the Unsecured Creditor Trustee's decision to exclude or withhold information from a conflicted member by unanimous vote. Any Oversight Committee member that is excluded from deliberations or denied access to information under this Section may challenge the Unsecured Creditor Trustee's determination in accordance with the dispute resolution procedures set out in Section 5.5 of this Unsecured Creditor Trust Agreement.

4.2 Powers and Duties of Oversight Committee. The Oversight Committee shall review the activities and performance of and advise the Unsecured Creditor Trustee as set forth in this Unsecured Creditor Trust Agreement, and will have authority to replace the Unsecured Creditor Trustee as set forth in Section 3.7.1. Neither the Oversight Committee nor its respective members shall exercise any control or authority over the Unsecured Creditor Trust or the Unsecured Creditor Trust Assets that is inconsistent with the powers and duties of the Unsecured Creditor Trustee as set forth in this Unsecured Creditor Trust Agreement. The Oversight Committee members shall assume a fiduciary duty to the holders of the Class 1.1 Beneficial Interests and the Class 4 Beneficial Interests, but shall not assume any other duty (fiduciary or otherwise) to Creditors or any other parties in interest in the Chapter 11 Case. The Oversight Committee shall have the rights, duties and powers set forth herein, including:

(i) to approve any release or indemnity in favor of any third party granted or agreed to by the Unsecured Creditor Trustee;

(ii) to authorize the Unsecured Creditor Trustee to commence any Preference Action or any objection to General Unsecured Claims, or to object to any General Unsecured Claims in its own right;

(iii) to approve the settlement of any Preference Action or objection to General Unsecured Claims and to approve any application by the Unsecured Creditor Trustee for an order in connection with any such settlement;

(iv) to approve the allowance of any Disputed General Unsecured Claim;

(v) to approve the sale of any Unsecured Creditor Trust Assets by the Unsecured Creditor Trustee and to approve any application by the Unsecured

Creditor Trustee for an order in connection with any such sale;

(vi) to review all financial information relating to the Unsecured Creditor Trust, which shall be promptly provided by the Unsecured Creditor Trustee upon request by the Oversight Committee;

(vii) to monitor Distributions to Beneficiaries; and

(viii) to take such other actions as it deems necessary and appropriate with respect to the implementation of the Plan and this Unsecured Creditor Trust Agreement.

4.2.1 By-Laws. The Oversight Committee shall govern its proceedings through the adoption of by-laws, which the Oversight Committee may adopt by majority vote.

4.2.2 Reliance by Oversight Committee Members; Exculpation. The Oversight Committee members may rely, and shall be fully protected in acting or refraining from acting, on any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, or other instrument or document that the Oversight Committee member has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of facsimiles, to have been sent by the proper party or parties, and the Oversight Committee members may conclusively rely as to the truth of the statements and correctness of the opinions expressed therein. Neither the Oversight Committee nor any of its members, designees, counsel, financial advisors or any duly designated agent or representatives of any such party shall be liable for the act, default or misconduct of any other member of the Oversight Committee, nor shall any Oversight Committee member be liable for anything other than such member's own gross negligence or willful misconduct or willful disregard of the Oversight Committee's duties. The Oversight Committee may, in connection with the performance of its duties, and in its sole and absolute discretion, consult with the Unsecured Creditor Trustee's counsel and any other of the Unsecured Creditor Trustee's professionals and/or with counsel and other professional advisors directly retained by the Oversight Committee, and the Oversight Committee shall not be liable for anything done or omitted or suffered to be done in accordance with the advice or opinions of such professionals. The Oversight Committee shall not be liable for not requiring the Unsecured Creditor Trustee to give a bond or surety or any other security for the performance of the Trustee's duties. If the Oversight Committee determines not to consult with counsel, accountants or other professionals, it shall not be deemed to impose any liability on the Oversight Committee, or its members and/or designees.

4.3 Oversight Committee Members' Resignation or Inability to Serve. A member of the Oversight Committee may resign at any time. If an Oversight Committee member who is not the Batman Designee is unwilling or unable to serve, the remaining members of the Oversight Committee shall nominate a replacement member from among the Class 4 Beneficial Interest holders. If the Batman Designee (including any successor appointed pursuant to this Article) is unwilling or unable to serve, the Batman Designee shall designate his or her successor on or before the effective date of resignation. If any position on the Oversight Committee remains vacant for more than sixty (60) days, such vacancy may be filled within fifteen (15) days

thereafter by the designation of the Unsecured Creditor Trustee without the requirement of a vote by the other members of the Oversight Committee. Each replacement member of the Oversight Committee nominated to replace a Batman Designee must be a Class 1.1 Beneficiary, and all other replacement members must be a Class 4 Beneficiary of this Unsecured Creditor Trust. The Oversight Committee will continue to fully function even while a position on the Oversight Committee remains vacant.

4.4 Removal of Oversight Committee Members. A member of the Oversight Committee may be removed from office upon the unanimous vote of the Unsecured Creditor Trustee and the other members of the Oversight Committee for (1) fraud or willful misconduct in connection with the affairs of the Unsecured Creditor Trust; (2) such physical or mental disability as substantially prevents such Oversight Committee member from performing the duties of a member of the Oversight Committee; or (3) for cause, including breach of fiduciary duty or an unresolved conflict of interest. Any Oversight Committee member removed under this Section 4.4 will be replaced in accordance with Section 4.3 of this Agreement.

4.5 Compensation of Oversight Committee. The Oversight Committee shall not be compensated for services rendered to the Unsecured Creditor Trust. However, the Oversight Committee members shall be reimbursed for all reasonable out-of-pocket expenses incurred by serving on the Oversight Committee, except fees and expenses of counsel to individual members of the Oversight Committee. Oversight Committee members who seek reimbursement for out-of-pocket expenses must submit a written request to the Unsecured Creditor Trustee and counsel to the Unsecured Creditor Trustee and provide sufficient back-up documentation to support the request.

4.6 Investment Authorization. The Oversight Committee may, by majority vote, authorize the Trustee to invest the corpus of the Trust in prudent investments other than those described in section 345 of the Bankruptcy Code.

ARTICLE 5 POWERS OF THE UNSECURED CREDITOR TRUSTEE

5.1 Title. Legal title to all Unsecured Creditor Trust Assets shall be vested in the Unsecured Creditor Trustee, except that the Unsecured Creditor Trustee, upon approval by a majority of the Oversight Committee, shall have the power to cause legal title (or evidence of title) to any of the Unsecured Creditor Trust Assets to be held by any nominee or Person, on such terms, in such manner, and with such powers as the Unsecured Creditor Trustee hereunder may determine.

5.2 Management Power. Except as otherwise expressly limited in this Unsecured Creditor Trust Agreement or the Plan, the Unsecured Creditor Trustee shall have control and authority over the Unsecured Creditor Trust Assets, including all Preference Actions assigned to the Unsecured Creditor Trust under the Plan as Unsecured Creditor Trust Assets, over the management and disposition thereof (including any transfer of Unsecured Creditor Trust Assets that does not constitute a disposition) over the management of the Unsecured Creditor Trust to the same extent as if the Unsecured Creditor Trustee were the sole owner thereof in its own right. Except as provided in the Plan, or otherwise specified in the Unsecured Creditor Trust

Agreement, the Unsecured Creditor Trustee need not obtain the order or approval of any court in the exercise of any power or discretion conferred hereunder, or account to any court in the absence of a breach of trust. The Unsecured Creditor Trustee shall exercise its judgment for the benefit of the Beneficiaries in order to maximize the value of Distributions, giving due regard to the cost, risk, and delay of any course of action. In connection with the management and use of the Unsecured Creditor Trust Assets, the Unsecured Creditor Trustee's powers, except as otherwise expressly limited in this Unsecured Creditor Trust Agreement, or the Plan, shall include, but shall not be limited to, the following:

- (a) to accept the Unsecured Creditor Trust Assets, to pursue the liquidation and marshaling of the Unsecured Creditor Trust Assets, and to preserve and protect the Unsecured Creditor Trust Assets;
- (b) subject to Section 6.1.1 of this Unsecured Creditor Trust Agreement, and in accordance with Section 1123(b)(3) of the Bankruptcy Code and the Plan, to own and retain, and prosecute, enforce, compromise, settle, release, or otherwise dispose of, all Preference Actions assigned to the Unsecured Creditor Trust under the Plan as Unsecured Creditor Trust Assets;
- (c) to object to any General Unsecured Claims filed in the Bankruptcy Case, and to compromise or settle any such claim objection;
- (d) to make or cause to be made Distributions of Available Cash to holders of Class 1.1 Beneficial Interests and Class 4 Beneficial Interests in accordance with the terms of this Unsecured Creditor Trust Agreement and the Plan;
- (e) to liquidate and distribute Unsecured Creditor Trust Assets or any part thereof or any interest therein, and to dispose of the Unsecured Creditor Trust Assets for Cash or upon such terms and for such consideration as the Unsecured Creditor Trustee deems proper;
- (f) to engage in all acts that would constitute ordinary performance of the obligations of a trustee under a liquidating trust, including the filing of all federal returns as a grantor trust, and the making of any advance tax payment;
- (g) to purchase insurance with such coverage and limits as it deems desirable consistent with the budget referred to in Section 6.1.2, including, without limitation, insurance covering liabilities of the Unsecured Creditor Trustee or employees or agents of the Unsecured Creditor Trust incurred in connection with their services to the Unsecured Creditor Trust;
- (h) to appoint, engage, employ, supervise, and compensate officers, employees, and other Persons as may be necessary or desirable, including lawyers, managers, consultants, accountants, technical, financial, real

estate, or investment advisors or managers, attorneys, agents or brokers, corporate fiduciaries, or depositories and the Registrar;

- (i) subject to the limitations in Section 6.2, to the extent reasonably required to meet claims and contingent liabilities (including Disputed Claims) or to maintain the value of assets during liquidation, to invest and reinvest Cash available to the Unsecured Creditor Trust, pending distribution, and to liquidate such investments (however, during its existence, the Unsecured Creditor Trust shall not receive or retain cash or cash equivalents in excess of a reasonable amount necessary to meet claims and contingent liabilities (including Disputed Claims) or to maintain the value of its assets during liquidation);
- (j) to determine the manner of ascertainment of income and principal, and the apportionment of income and principal, and the apportionment between income and principal of all receipts and disbursements, and to select an annual accounting period;
- (k) change the state of domicile of the Unsecured Creditor Trust;
- (l) establish such funds, reserves and accounts within the Unsecured Creditor Trust estate, as deemed by the Unsecured Creditor Trustee in its discretion to be useful in carrying out the purposes of the Unsecured Creditor Trust;
- (m) sue and be sued and participate, as a party or otherwise, in any judicial, administrative, arbitative or other proceeding;
- (n) delegate any or all of the discretionary power and authority herein conferred at any time with respect to all or any portion of the Unsecured Creditor Trust estate to any one or more reputable individuals or recognized institutional advisers or investment managers without liability for any action taken or omission made because of any such delegation, except for such liability as is provided in Section 3.10;
- (o) consult with the Oversight Committee at such times and with respect to such issues relating to the conduct of the Unsecured Creditor Trust as the Unsecured Creditor Trustee considers desirable and in accordance with the terms of the Unsecured Creditor Trust Agreement;
- (p) execute, deliver and perform such other agreements and documents and to take or cause to be taken any and all such other actions as it may deem necessary or desirable to effectuate and carry out the purposes of this Unsecured Creditor Trust Agreement;
- (q) undertake any action or perform any obligation provided for or required by the Plan;

- (r) protect and enforce the rights to the Unsecured Creditor Trust Assets by any method deemed appropriate including, without limitation, by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity;
- (s) determine and satisfy any and all liabilities created, incurred or assumed by the Unsecured Creditor Trust;
- (t) execute offsets against General Unsecured Claims as provided for in the Plan;
- (u) assert or waive any privilege or defense on behalf of the Unsecured Creditor Trust;
- (v) pay all expenses and make all other payments relating to the Unsecured Creditor Trust Assets;
- (w) seek the examination of any entity under, and subject to, the provisions of Bankruptcy Rule 2004; and
- (x) take or refrain from taking any and all actions the Unsecured Creditor Trustee reasonably deems necessary for the continuation, protection and maximization of the Unsecured Creditor Trust Assets or to carry out the purposes of this Unsecured Creditor Trust Agreement.

5.2.1 Guidance from Court. Anything contained in this Unsecured Creditor Trust Agreement to the contrary notwithstanding, the Unsecured Creditor Trustee may, but is not required to, submit a proposed action to a court of competent jurisdiction, including the Bankruptcy Court, for its approval, on notice to the Oversight Committee (so long as such action is consistent with the purpose of the Unsecured Creditor Trust), and may comply with any action approved by such court.

5.2.2 Additional Powers. Except as otherwise set forth in this Unsecured Creditor Trust Agreement or in the Plan, and subject to the Treasury Regulations governing trusts and the retained jurisdiction of the Court as provided for in the Plan, but without prior or further authorization, the Unsecured Creditor Trustee may control and exercise authority over the Unsecured Creditor Trust Assets and over the protection, conservation and disposition thereof. No Person dealing with the Unsecured Creditor Trust shall be obligated to inquire into the authority of the Unsecured Creditor Trustee in connection with the protection, conservation or disposition of the Unsecured Creditor Trust Assets.

5.3 Commingling of Unsecured Creditor Trust Assets. The Unsecured Creditor Trustee shall not commingle any of the Unsecured Creditor Trust Assets with its own property or the property of any other Person.

5.4 Employment and Compensation of Professionals. The Unsecured Creditor Trustee shall have the authority to employ and compensate attorneys, accountants, investment advisors and other professionals, including a Registrar and a disbursing agent to make Distributions (collectively, the “Unsecured Creditor Trustee Professionals”), as determined from time to time by the Unsecured Creditor Trustee in consultation with the Oversight Committee. The Unsecured Creditor Trustee may pay the reasonable fees and expenses of such professionals as a Unsecured Creditor Trust Operating Expense without application to the Bankruptcy Court. Upon request by any member of the Oversight Committee, the Unsecured Creditor Trustee will provide copies of any invoices or billing summaries relating to professional fees incurred by the Unsecured Creditor Trust.

5.5 Dispute Resolution. In the event of a dispute between the Unsecured Creditor Trustee and the Oversight Committee involving an allegation that either party has failed to act in a manner consistent with the Plan or the Unsecured Creditor Trust Agreement, or is in breach of any applicable fiduciary duty, the parties shall meet and confer and attempt to reach a consensual resolution of the dispute. Should a consensual resolution not be reached, the Unsecured Creditor Trustee or any member of the Oversight Committee may seek appropriate relief from the Bankruptcy Court, and the Bankruptcy Court shall retain jurisdiction to resolve such disputes.

5.6 Action Under Instructions. If in performing the Unsecured Creditor Trustee's duties under this Unsecured Creditor Trust Agreement, the Unsecured Creditor Trustee is required to decide between alternative courses of action, or the Unsecured Creditor Trustee is unsure of the application of any provision of this Unsecured Creditor Trust Agreement or the Plan, then the Unsecured Creditor Trustee may promptly deliver a notice to the Oversight Committee requesting written instructions as to the course of action to be taken by the Unsecured Creditor Trustee. If the Unsecured Creditor Trustee does not receive such written directions within ten (10) Business Days after the Unsecured Creditor Trustee has delivered such notice, the Unsecured Creditor Trustee may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Unsecured Creditor Trust Agreement as the Unsecured Creditor Trustee shall deem advisable. If the Unsecured Creditor Trustee does not receive direction from the Oversight Committee within such ten (10) Business Day period or the Unsecured Creditor Trustee believes that a court order is necessary or advisable to protect the interests of the Beneficiaries or to otherwise determine the Unsecured Creditor Trustee's rights or duties in any respect under this Unsecured Creditor Trust Agreement, then the Unsecured Creditor Trustee may apply to the Bankruptcy Court for a determination as to the course of action to be taken by the Unsecured Creditor Trustee.

ARTICLE 6

OBLIGATIONS OF THE UNSECURED CREDITOR TRUSTEE

6.1 Reports and Records.

6.1.1 Consultation. The Unsecured Creditor Trustee shall consult with the Oversight Committee in good faith regarding all material issues affecting the Unsecured Creditor Trust, including the resolution of objections to Claims resulting in an Allowed General Unsecured Claim, the pursuit, prosecution, settlement or abandonment of any Preference Actions, and the disposition of Unsecured Creditor Trust Assets, except to the extent the

Oversight Committee or an individual Oversight Committee member is encumbered by a conflict of interest, as provided in Section 4.1.2. In addition, the Unsecured Creditor Trustee shall seek the advice of the Oversight Committee regarding proposed budgets for the Unsecured Creditor Trust, setting forth expected receipts and disbursements for litigation, operations, and other purposes.

6.1.2 Budget. The Unsecured Creditor Trustee shall cause to be prepared within 30 days before the end of each fiscal year, budget and cash flow projections covering the next fiscal year and each succeeding fiscal year for which estimates are feasible. On or before 30 days after the Effective Date, the Unsecured Creditor Trustee shall prepare a budget and cash flow projection for the current fiscal year. Such budget and cash flow projections shall be prepared by the Unsecured Creditor Trustee in consultation with the Oversight Committee.

6.1.3 Quarterly and Annual Reports. The Unsecured Creditor Trustee shall cause to be prepared (a) within 45 days after the end of each of the first three quarters of fiscal year (for such quarter) and (b) within 90 days after the end of each fiscal year (for such fiscal year), financial reports regarding the Unsecured Creditor Trust as of the end of and for such periods, which reports shall include (i) a schedule of receipts and disbursements during such period, (ii) a reconciliation of the Unsecured Creditor Trust Assets maintained by the Unsecured Creditor Trustee, including copies of bank or other statement of accounts which reflect the current balance of the assets of the Unsecured Creditor Trust, (iii) a schedule summarizing the status of the resolution of Claims which schedule shall reflect, by category, name of claimant and dollar amount of Claim, Claims which have been allowed and Claims which are subject to pending objections and (iv) a schedule of pending litigation for avoidance of alleged preferential transfers pursuant to Section 547 of the Bankruptcy Code, which schedule shall reflect the name of the defendant, adversary proceeding number and amount of transfer sought to be disgorged. The financial reports prepared as at the end of the fiscal year may, at the written request of the Oversight Committee, be audited by independent public accountants in accordance with generally accepted auditing standards. The materiality and scope of audit determinations, if any, shall be established among the Unsecured Creditor Trust, the Oversight Committee and the appointed auditors, with a view towards safeguarding the value of the Unsecured Creditor Trust Assets, but nothing relating to the mutually agreed-on scope of work shall result in any limitation of audit scope that would cause the auditors to qualify their opinion as to scope of work with respect to such financial statements.

6.1.4 Distribution of Reports. Within ten business days after the end of the relevant report preparation period, the Unsecured Creditor Trustee shall distribute any information listed in Section 6.1.3 above to the Oversight Committee, the Plan Trustee and to the Office of the United States Trustee, and shall file the same with the Clerk of the Bankruptcy Court. Upon written request, the Unsecured Creditor Trustee shall provide copies of any quarterly or annual reports to any Beneficiary of record.

6.1.5 Records. The Unsecured Creditor Trustee shall maintain records and books of account relating to the Unsecured Creditor Trust Assets, the management thereof and all transactions undertaken by the Unsecured Creditor Trustee, which records and books of account shall be maintained in accordance with GAAP consistently applied, except to the extent

that any change is approved by the Unsecured Creditor Trust's independent public accountants. The Unsecured Creditor Trustee shall also maintain records and books of account relating to all Distributions contemplated under the Plan.

6.2 Eligible Investments. Cash held pending distribution, including Cash held in Unsecured Creditor Trust Reserves, shall, to the extent permitted by applicable law, be invested by the Unsecured Creditor Trustee in (1) direct obligations of, or obligations guaranteed by, or obligations secured by, the United States of America (including without limitation United States Treasury Bills); (2) obligations of any agency or corporation that is or may hereafter be created by or pursuant to an Act of the Congress of the United States as an agency or instrumentality thereof, or (3) demand deposits or short-term certificates of deposit at any bank or trust company that has, at the time of the acquisition by the Unsecured Creditor Trustee of such investments, capital stock and surplus aggregating at least \$100 million and whose short-term debt obligations are rated by at least two nationally recognized statistical rating organizations in one of the two highest categories therefor; provided, however, that the scope of any such permissible investments shall be limited to include only those investments, or shall be expanded to include any additional investments, as the case may be, that a liquidating trust, within the meaning of Treasury Regulation Section 301.7701-4(d) may be permitted to hold, pursuant to any amendment or addition to the Internal Revenue Code of 1986, as amended (the "Code") or to the Treasury Regulations, or any modification in IRS guidelines whether set forth in IRS rulings, other IRS pronouncements, or otherwise. Such investments shall mature in such amounts and at such times as, in the judgment of the Unsecured Creditor Trustee at the times such investments are made, are necessary, or are desirable with a view to providing funds when needed to make payments from the Unsecured Creditor Trust Assets. Any investment purchased with the Unsecured Creditor Trust Assets shall be deemed a part of the Unsecured Creditor Trust Assets. All interest, distributions, dividends and proceeds received by the Unsecured Creditor Trustee in respect of such investments shall be a part of the Unsecured Creditor Trust Assets.

6.3 Access to Information by Beneficiaries. Each Beneficiary shall have access to the business records of the Unsecured Creditor Trust for the purpose of obtaining information relating to the management of Unsecured Creditor Trust Assets for any purpose reasonably related to the interests generally of the Beneficiaries, so long as access is reasonably exercised during normal business hours (after at least two business days' notice to the Unsecured Creditor Trustee), does not constitute an undue burden on the Unsecured Creditor Trustee, and is not detrimental to the Unsecured Creditor Trust. Nothing herein contained is intended to restrict any Beneficiary from access to the business records of the Unsecured Creditor Trustee, which the Unsecured Creditor Trustee, in its discretion elects to provide.

6.4 United States Trustee Fees and Reports. After the Effective Date and until the Bankruptcy Case is closed, all fees incurred under 28 U.S.C. § 1930(a)(6) by reason of disbursements made under the Plan ("US Trustee Fees") shall be paid as follows. Until the earlier of (a) the termination of the Plan Trust, or (b) the closure of the Bankruptcy Case, the Plan Trust shall pay as a Plan Trust Operating Expense all US Trustee Fees arising from disbursements made by the Plan Trust or by the Unsecured Creditor Trust. Upon request by the Plan Trustee, the Unsecured Creditor Trustee will promptly deliver a statement reflecting all disbursements made during the course of a current or prior quarter. If applicable, the Unsecured Creditor Trust shall pay (as a Direct Class 1.1 Expense or a Direct Class 4 Expense, as

appropriate) US Trustee Fees arising from disbursements that occur after the termination of the Plan Trust. Transfers from the Plan Trust to the Unsecured Creditor Trust shall not constitute “disbursements” triggering fees under 28 U.S.C. § 1930(a)(6). After the Effective Date and during the existence of the Plan Trust, the Plan Trust shall serve on the Office of the United States Trustee a quarterly financial report for each calendar quarter, or portion thereof, that the Bankruptcy Case open (the “Quarterly UST Reports”). The Quarterly UST Reports shall include a statement of all disbursements made during the course of the quarter, whether or not pursuant to the Plan. If applicable, the Unsecured Creditor Trust shall serve the Quarterly UST Reports after termination of the Plan Trust.

6.5 Labor Settlement Account. On the Closing Date, the Unsecured Creditor Trustee shall establish the Labor Settlement Account. The initial deposit into the Labor Settlement Account will be the Labor Settlement Fund. Thereafter, the Unsecured Creditor Trustee shall deposit into the Labor Settlement Account (1) one-half of the Net FedEx Recoveries paid by the Plan Trustee to the Unsecured Creditor Trust, and (2) one half of the Net Preference Recoveries, when such funds become available.

6.6 Unsecured Creditor Account. On the Closing Date, the Unsecured Creditor Trustee shall establish the Unsecured Creditor Account. The initial deposit into the Unsecured Creditor Account will be the Unsecured Settlement Fund, less any amount necessary (in the Unsecured Creditor Trustee’s discretion) to fund the Unsecured Creditor Trust Operating Reserve. Thereafter, the Unsecured Creditor Trustee shall deposit into the Unsecured Creditor Account (1) one-half of the Net FedEx Recoveries paid by the Plan Trustee to the Unsecured Creditor Trust, and (2) one-half of the Net Preference Recoveries, when such funds become available.

ARTICLE 7 BENEFICIAL INTERESTS

7.1 Allocation of Beneficial Interests to Employees. As of the Effective Date, each holder of an Allowed Priority Employee Claim shall be allocated Beneficial Interests in the Unsecured Creditor Trust as follows:

- (a) Each ALPA Employee holding an Allowed Priority Employee Claim shall be allocated a Class 1.1 Beneficial Interest equal in amount to such holder’s Allowed Priority Employee Claim. Each ALPA Employee shall be allocated a Class 4 Beneficial Interest equal in amount to the excess of such Employee’s Allowed Employee Claim over the Allowed Priority Employee Claim.
- (b) Each AFA Employee holding an Allowed Priority Employee Claim shall be allocated a Class 1.1 Beneficial Interest equal in amount to such holder’s Allowed Priority Employee Claim. Each AFA Employee shall be allocated a Class 4 Beneficial Interest equal in amount to the excess of such Employee’s Allowed Employee Claim over the Allowed Priority Employee Claim.
- (c) Each IAM Employee holding an Allowed Priority Employee Claim shall be allocated a Class 1.1 Beneficial Interest equal in amount to such holder’s Allowed

Priority Employee Claim. Each IAM Employee shall be allocated a Class 4 Beneficial Interest equal in amount to the excess of such Employee's Allowed Employee Claim over the Allowed Priority Employee Claim.

- (d) Each TWU Employee holding an Allowed Priority Employee Claim shall be allocated a Class 1.1 Beneficial Interest equal in amount to such holder's Allowed Priority Employee Claim. Each TWU Employee shall be allocated a Class 4 Beneficial Interest equal in amount to the excess of such Employee's Allowed Employee Claim over the Allowed Priority Employee Claim.
- (e) Each AMFA Employee holding an Allowed Priority Employee Claim shall be allocated a Class 1.1 Beneficial Interest equal in amount to such holder's Allowed Priority Employee Claim. Each AMFA Employee shall be allocated a Class 4 Beneficial Interest equal in amount to the excess of such Employee's Allowed Employee Claim over the Allowed Priority Employee Claim.
- (f) Each Batman Employee holding an Allowed Priority Employee Claim shall be allocated a Class 1.1 Beneficial Interest equal in amount to such holder's Allowed Priority Employee Claim. Each Batman Employee shall be allocated a Class 4 Beneficial Interest equal in amount to the excess of such Employee's Allowed Employee Claim over the Allowed Priority Employee Claim.

7.2 Allocation of Class 4 Beneficial Interests to General Unsecured Creditors.

As of the Effective Date, each holder of a Class 4 General Unsecured Claim including Disputed General Unsecured Claims shall be allocated a Class 4 Beneficial Interest in the Unsecured Creditor Trust equal in an amount to such holder's Class 4 General Unsecured Claim.

7.3 Register Entries Regarding Beneficial Interests. The Unsecured Creditor Trustee or the Registrar shall make the following notations in the Unsecured Creditor Trust Register:

- (1) a notation reflecting the Class 1.1 Beneficial Interest and Claim held by each Employee holding an Allowed Priority Employee Claim and the Employee Pro Rata Share for each such Employee;
- (2) a notation reflecting the Class 4 Beneficial Interest and Claim held by each Creditor holding an Allowed Class 4 General Unsecured Claim, and the Pro Rata Share for each such Creditor; and
- (3) a notation reflecting the Class 4 Beneficial Interest and Claim held by each Creditor holding a Disputed Class 4 General Unsecured Claim (a "Reserved Beneficial Interest"), and the Pro Rata Share for each such Creditor.

7.4 Allocation of Beneficial Interests to Holders of Disputed Claims. The allocation of any Beneficial Interest on account of a Disputed Claim pursuant to Section 7.2 herein shall be reserved on the Unsecured Creditor Trust Register maintained by the Registrar

and shall become a Reserved Beneficial Interest. Any General Unsecured Claim filed, in whole or in part, in an unknown or undetermined amount may be estimated by the Unsecured Creditor Trustee, subject to approval by the Bankruptcy Court, and such Claim as estimated shall be deemed a Disputed Claim until otherwise Allowed. To the extent all or a portion of a Disputed Claim is ultimately disallowed, the Unsecured Creditor Trust shall reallocate among the remaining Beneficial Interests, the Reserved Beneficial Interest that relates to the portion of the Disputed Claim that was disallowed. To the extent all or a portion of a Disputed Claim ultimately becomes an Allowed Claim, the Reserved Beneficial Interest that relates to the portion of the Disputed Claim that was Allowed, shall be removed from the reserve.

7.5 Representation of Beneficial Interest. The Beneficial Interests shall be uncertificated. The Beneficial Interests shall be represented by appropriate book entries in the Unsecured Creditor Trust Register.

7.6 Unsecured Creditor Trust Register and Registrar.

7.6.1 Appointment of Registrar. The Unsecured Creditor Trustee shall appoint a Registrar for the purpose of registering Beneficial Interests as herein provided. The Registrar may be a duly qualified institution or the Unsecured Creditor Trustee. For its services hereunder, the Registrar, unless it is the Unsecured Creditor Trustee, shall be entitled to receive reasonable compensation from the Unsecured Creditor Trust as a Unsecured Creditor Trust Operating Expense.

7.6.2 Register of Beneficial Interests. The Unsecured Creditor Trustee shall cause the Unsecured Creditor Trust Register to be kept at the office of the Registrar or at such other place or places that shall be designated by the Unsecured Creditor Trustee from time to time.

7.6.3 Access to Register by Beneficiaries. Beneficiaries and their duly authorized representatives shall have the right, upon reasonable prior written notice to the Registrar and the Unsecured Creditor Trustee, and in accordance with reasonable regulations prescribed by the Registrar and the Unsecured Creditor Trustee, to inspect and at the expense of the Beneficiary make copies of the Unsecured Creditor Trust Register, in each case for a purpose reasonable and related to such Beneficiary's Beneficial Interest in the Unsecured Creditor Trust.

7.6.4 Absolute Owners. The Unsecured Creditor Trustee may deem and treat the Beneficiary of record as determined pursuant to Section 7.1 or Section 7.2 of this Unsecured Creditor Trust Agreement as the absolute owner of such Beneficial Interests for the purpose of receiving Distributions and payment thereon or on account thereof and for all other purposes whatsoever.

7.6.5 References to Beneficiaries. Any reference herein to a Beneficiary or to the holder of a Beneficial Interest means the holder of a Claim in Class 1.1 or Class 4 under the Plan that is recorded on the official registry maintained by the Unsecured Creditor Trustee and shall not include any Person not recorded on such official registry.

7.7 Beneficial Interests Non-Transferable. Beneficial Interests shall not be transferred other than by operation of law.

ARTICLE 8
ADMINISTRATION OF THE TRUST ESTATE

8.1 Establishment of Unsecured Creditor Trust Available Cash. Prior to making any Distributions, the Unsecured Creditor Trustee shall determine the Available Cash, taking into account any Unsecured Creditor Trust Reserves created pursuant to this Article 8.

8.2 Establishment of Unsecured Creditor Trust Reserves and Related Matters.

8.2.1 Unsecured Creditor Trust Operating Reserve. Within thirty (30) days after the Effective Date, and from time to time thereafter as necessary, the Unsecured Creditor Trustee shall establish and fund the Unsecured Creditor Trust Operating Reserve out of the Unsecured Creditor Account for the payment of Unsecured Creditor Trust Operating Expenses, including, but not limited to: (1) the unpaid liabilities, debts or obligations of the Unsecured Creditor Trust; (2) the fees of the Unsecured Creditor Trustee; (3) all fees and expenses of professionals retained by the Unsecured Creditor Trust; (4) Preference Expenses; (5) any and all costs associated with analyzing, prosecuting and/or settling objections to General Unsecured Claims; and (6) any and all other costs associated with the liquidation or preservation of the Unsecured Creditor Trust Assets. The Unsecured Creditor Trust Operating Reserve may be funded from time to time with additional Cash in an amount determined by the Unsecured Creditor Trustee, in consultation with the Oversight Committee, to be reasonably necessary to pay anticipated Unsecured Creditor Operating Expenses, and otherwise conduct the affairs of the Unsecured Creditor Trust. Unsecured Creditor Trust Operating Expenses shall be paid solely from the Unsecured Creditor Account.

8.2.2 Allocation of Unsecured Creditor Trust Operating Expenses. Allocable Unsecured Creditor Trust Operating Expenses shall be allocated equally between Beneficiaries holding Class 1.1 Beneficial Interests and Class 4 Beneficial Interests. The Unsecured Creditor Trustee shall use Net Preference Recoveries otherwise payable to Class 1.1 Beneficiaries to reimburse the Unsecured Creditor Account for (a) Direct Class 1.1 Expenses, and (b) fifty percent (50%) of Allocable Unsecured Creditor Trust Operating Expenses.

8.2.3 Allocation of Preference Expenses and Net Preference Recoveries. Preference Expenses shall be allocated fifty percent (50%) to Class 1.1 Beneficiaries and fifty percent (50%) to Class 4 Beneficiaries by deducting the Preference Expenses from the gross recoveries from Preference Actions. After deducting Preference Expenses (and subject to Article 8.2.2 of this Unsecured Creditor Trust Agreement), the Unsecured Creditor Trustee shall deposit fifty percent (50%) of the Net Preference Recoveries into the Labor Settlement Account and the remaining fifty percent (50%) into the Unsecured Creditor Account.

8.2.4 Allocation of Net FedEx Recoveries. Upon receipt of any Net FedEx Recoveries from the Plan Trustee, the Unsecured Creditor Trustee shall deposit fifty percent (50%) of the Net FedEx Recoveries received from the Plan Trustee into the Labor Settlement Account and fifty percent (50%) of the Net FedEx Recoveries received from the Plan Trustee into the Unsecured Creditor Account.

8.2.5 Disputed Claims Reserve for Beneficiaries. The Unsecured Creditor Trustee shall establish and segregate a reserve account for Disputed Claims as of the Effective Date (the “Disputed Claims Reserve”). On each Distribution Date, the Unsecured Creditor Trustee shall deposit into the Disputed Claims Reserve any Distribution payable to a Beneficiary holding a Reserved Beneficial Interest.

8.3 Distributions to Holders of Beneficial Interests.

8.3.1 Class 1.1 Distributions Generally. With respect to Distributions to Class 1.1 Beneficiaries, the Unsecured Creditor Trustee shall only make Distributions to such Beneficiaries from the Labor Settlement Account, except as otherwise provided in Article 9 herein. Within sixty (60) days after the Effective Date, the Unsecured Creditor Trustee shall make an initial Distribution of \$4.0 million from the Labor Settlement Account to Class 1.1 Beneficiaries pursuant to Section 8.3.2 herein, and thereafter, Distributions shall be made at least annually and at such other time or times as the Unsecured Creditor Trustee believes there is sufficient Cash in the Labor Settlement Account to warrant a Distribution. On or before making such initial Distribution, the Unsecured Creditors Trustee shall send a written notification to the Plan Trustee specifying the employer's share of the federal income taxes, social security and medicare taxes, federal unemployment taxes and state employment taxes relating to such initial Distribution, and, on receipt of such amount from the Plan Trustee, the Unsecured Creditor Trustee shall deposit such funds in the Labor Settlement Account. Notwithstanding section 8.7.3 herein, the Unsecured Creditor Trustee shall pay from the Labor Settlement Account the employer's share of federal income taxes, social security and medicare taxes, federal unemployment taxes and state employment taxes relating to the initial Distribution of \$4.0 million as provided for in this section.

8.3.2 Class 4 Distributions Generally. With respect to Distributions to Class 4 Beneficiaries, the Unsecured Creditor Trustee shall only make Distributions from Unsecured Creditor Trust Available Cash, except as otherwise provided in Article 9 of this Unsecured Creditor Trust Agreement. The Unsecured Creditor Trustee shall have authority to make Distributions of Unsecured Creditor Trust Available Cash at least annually and at such other time or times as the Unsecured Creditor Trustee believes there is sufficient Unsecured Creditor Trust Available Cash to warrant a Distribution. The Unsecured Creditor Trust shall not, in any event, retain Cash in excess of what is reasonably necessary to fund the Unsecured Creditor Trust Reserve.

8.3.3 Distributions to Class 1.1. Beneficiaries. Distributions to Beneficiaries holding a Class 1.1 Beneficial Interest shall be made as follows:

- (a) Each ALPA Employee holding a Class 1.1 Beneficial Interest shall receive on a Distribution Date its Employee Pro Rata Share of the ALPA Distribution from the Labor Settlement Account.
- (b) Each AFA Employee holding a Class 1.1 Beneficial Interest shall receive on a Distribution Date its Employee Pro Rata Share of the AFA Distribution from the Labor Settlement Account.

- (c) Each IAM Employee holding a Class 1.1 Beneficial Interest shall receive on a Distribution Date its Employee Pro Rata Share of the IAM Distribution from the Labor Settlement Account.
- (d) Each TWU Employee holding a Class 1.1 Beneficial Interest shall receive on a Distribution Date its Employee Pro Rata Share of the TWU Distribution from the Labor Settlement Account.
- (e) Each AMFA Employee holding a Class 1.1 Beneficial Interest shall receive on a Distribution Date its Employee Pro Rata Share of the AMFA Distribution from the Labor Settlement Account.
- (f) Each Batman Employee holding a Class 1.1 Beneficial Interest shall receive on a Distribution Date its Employee Pro Rata Share of the Batman Distribution from the Labor Settlement Account.

8.3.4 Distributions to Class 4 Beneficiaries. A Beneficiary who is the holder of a Class 4 Beneficial Interest shall receive on a Distribution Date its Pro Rata Share of Available Cash based on such Beneficiary's Class 4 Beneficial Interest, until the underlying Claim is paid in full or until the Cash proceeds from all Unsecured Creditor Trust Assets has been distributed.

8.3.5 Distributions to Holders of Reserved Beneficial Interests. No Distributions shall be made to holders of a Reserved Beneficial Interest. To the extent a Reserved Beneficial Interest is removed from the reserve on the Unsecured Creditor Trust Register in accordance with Section 7.4 and becomes a Beneficial Interest, any Cash in the Disputed Claims Reserve relating to such Beneficial Interest shall become Unsecured Creditor Trust Available Cash and shall be released and distributed to such Beneficiary on the next Distribution Date. To the extent a Reserved Beneficial Interest is reallocated among the remaining Beneficial Interests in accordance with Section 7.4, any Cash in the Disputed Claims Reserve relating to such Reserved Beneficial Interest shall become Unsecured Creditor Trust Available Cash and shall be released and distributed on the next Distribution Date to the holders of such remaining Beneficial Interests. Distributions, if any, to holders of Reserved Beneficial Interests shall be made on the next Distribution Date following removal of the Reserved Beneficial Interest from the reserve on the Unsecured Creditor Trust Register.

8.3.6 Right to Setoff. The Unsecured Creditor Trustee may (but shall not be required to), pursuant to Bankruptcy Code sections 553 and 558 or applicable non-bankruptcy law, setoff against or recoup from any Distribution to a Beneficiary to be made under the Plan or this Unsecured Creditor Trust Agreement any claims or causes of action of any nature whatsoever the Unsecured Creditor Trustee may have against such Beneficiary; provided, however, that neither the failure to effect such offset or recoupment nor the allowance of any Claim shall constitute a waiver or release by the Unsecured Creditor Trustee of any setoff or recoupment the Unsecured Creditor Trustee may have against such Beneficiary, nor of any other claim or cause of action.

8.4 Place and Manner of Payments or Distributions. The Unsecured Creditor Trustee shall make Distributions to the Beneficiaries of record as of the Distribution Record Date by mailing such Distribution to the Beneficiary at the address of such Beneficiary as listed in the Schedules of Assets and Liabilities, or any proof of claim filed by the Beneficiary, or as listed in the Unsecured Creditor Trust Register, or at such other address as such Beneficiary shall have specified for payment purposes in a written notice to the Unsecured Creditor Trustee and the Registrar at least 20 days before such Distribution Record Date. The Unsecured Creditor Trustee shall distribute any Cash by wire, check, or such other method as the Unsecured Creditor Trustee deems appropriate under the circumstances. Prior to receiving any Distributions, all Beneficiaries, at the Unsecured Creditor Trustee's request, must provide to the Unsecured Creditor Trustee written notification of their respective Federal Tax Identification Numbers or Social Security Numbers.

8.5 Minimum Distributions. Notwithstanding any other provision of this Unsecured Creditor Trust Agreement or the Plan to the contrary, there will be no Distributions of Available Cash unless the aggregate amount to be distributed on such date is at least \$_____ (other than in connection with a final Distribution), but the Unsecured Creditor Trust will distribute at least annually to Beneficiaries all of its net income and any Unsecured Creditor Trust Available Cash. To the extent a Distribution to a particular Beneficiary is less than \$100.00, the Unsecured Creditor Trustee may hold such Distribution until the Final Distribution or until the aggregate of Distributions to such Beneficiary exceeds \$100.00.

8.5.1 Fractional Dollars. Notwithstanding any other provisions of this Unsecured Creditor Trust Agreement to the contrary, no payment of fractional cents will be made under this Unsecured Creditor Trust Agreement. Cash will be issued to Beneficiaries entitled to receive a Distribution of Cash in whole cents (rounded to the nearest whole cent when and as necessary).

8.6 Unclaimed or Undeliverable Distributions. In the event (1) a Beneficiary or other claimant entitled to payments from the Unsecured Creditor Trust under the Plan (other than a Beneficiary who is an Employee) fails to provide to the Unsecured Creditor Trustee its Federal Tax Identification Number or Social Security Number within forty-five (45) days after the date of the Unsecured Creditor Trustee's written request, (2) a check issued to a Beneficiary or claimant remains uncashed for sixty (60) days after its issuance date, or (3) a Distribution or other payment is returned as undeliverable, then the Distribution or payment and any related Claim or obligation shall be deemed waived, such Beneficiary or claimant shall no longer be entitled to receive Distributions or payments, and such unclaimed or undeliverable Distribution or payment shall be distributed on the next Distribution Date to the holders of Beneficial Interests as if such Distribution were Available Cash. Without further Court order, unclaimed funds in an amount of \$10,000 or less held by the Unsecured Creditor Trust at the time the Final Decree is entered may be donated to a charity selected by the Unsecured Creditor Trustee and the Oversight Committee.

8.7 Tax Matters.

8.7.1 Certain Income Tax Matters. The Unsecured Creditor Trust established pursuant to this Unsecured Creditor Trust Agreement is established for the purpose of satisfying

claims by liquidating the Unsecured Creditor Trust Assets transferred to it and the Unsecured Creditor Trust shall have no objective of continuing or engaging in any trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Unsecured Creditor Trust. The purpose of the Unsecured Creditor Trust is to provide a mechanism for the liquidation of the Unsecured Creditor Trust Assets of the Debtor, and to distribute the proceeds of the liquidation, net of all claims, expenses, charges, liabilities, and obligations of the Unsecured Creditor Trust, to the Beneficiaries in accordance with the terms of the Plan. No business activities will be conducted by the Unsecured Creditor Trust other than those associated with or related to the liquidation of the Unsecured Creditor Trust Assets. It is intended that the Unsecured Creditor Trust be classified for federal income tax purposes as a “liquidating trust” within the meaning of section 301.7701-4(d) of the Treasury Regulations. All parties hereto shall treat the transfers in trust described herein as transfers to the Beneficiaries for all purposes of the Code (including, sections 61(a)(12), 483, 1001, 1012, and 1274). All the parties hereto shall treat the transfers in trust as if all the transferred assets, including all the Unsecured Creditor Trust Assets, had been first transferred to the Beneficiaries and then transferred by the Beneficiaries to the Unsecured Creditor Trust. The Beneficiaries shall be treated for all purposes of the Code as the grantors of the Unsecured Creditor Trust and the owners of the Unsecured Creditor Trust. The Unsecured Creditor Trustee shall file returns for the Unsecured Creditor Trust as a grantor trust pursuant to Treasury Regulations section 1.671-4(a) or (b). The income of the Unsecured Creditor Trust will be treated as subject to tax on a current basis, and the Beneficiaries (except to the extent a Beneficiary is the Internal Revenue Service) shall be responsible for payment of any taxes due with respect to the operations of the Unsecured Creditor Trust. During its existence, the Unsecured Creditor Trust shall not receive or retain cash or cash equivalents in excess of a reasonable amount necessary to meet claims and contingent liabilities (including Disputed Claims) or to maintain the value of its assets during liquidation. The Unsecured Creditor Trustee shall use its continuing best efforts to dispose of the Unsecured Creditor Trust Assets, make timely distributions, and shall not unduly prolong the duration of the Unsecured Creditor Trust. The Unsecured Creditor Trustee is authorized to take any action as may be necessary or appropriate to minimize any potential tax liability of the Unsecured Creditor Trust and, thereafter, the Beneficiaries arising out of the operations of the Unsecured Creditor Trust. The Unsecured Creditor Trustee is directed to allocate all costs, charges, expenses and deductions, or any of them in whole or in part, to income or principal at such time and in such a manner as the Unsecured Creditor Trustee shall determine will reduce or eliminate the Unsecured Creditor Trust’s taxes, if any. The Unsecured Creditor Trust shall distribute, at least annually, the following: all income and gain; Cash (whether or not allocable to income or principal, including all capital gains allocable to principal); any other property the Unsecured Creditor Trustee in its discretion determines is properly distributable (whether out of income or principal); and liquidation proceeds to the Beneficiaries, after payment of expenses and liabilities, less the reasonably necessary reserves for expenses and other Unsecured Creditor Operating Expenses.

8.7.2 Consistent Valuation of Unsecured Creditor Trust Assets for Tax Purposes. As soon as possible after the Effective Date, but in no event later than [____] days thereafter, the Unsecured Creditor Trustee after consultation with the Oversight Committee shall apprise the Beneficiaries in writing of such valuation (and indicate in such writing of its good faith valuation of the Unsecured Creditor Trust Assets, such holders’ percentage ownership interest in the Unsecured Creditor Trust based on such holders’ relative beneficial interest in the

Unsecured Creditor Trust as of the Effective Date). The valuation shall be used consistently by all parties (including, without limitation, the Debtor, the Unsecured Creditor Trustee, the Beneficiaries and any disbursing agent) for all purposes, including federal income tax purposes.

8.7.3 Employment Taxes. The Unsecured Creditor Trustee may withhold from the amount distributable from the Unsecured Creditor Trust at any time to any Person (except with respect to the Internal Revenue Service) such sum or sums as may be sufficient to pay any tax or taxes or other charge or charges that have been or may be imposed on such Person or upon the Unsecured Creditor Trust with respect to the amount distributable or to be distributed under the income tax laws of the United States or of any state or political subdivision or entity by reason of any Distribution provided for in this Article 8, whenever such withholding is determined by the Unsecured Creditor Trustee in its discretion to be required by any law, regulation, rule, ruling, directive or other governmental requirement, and the Unsecured Creditor Trustee, in the exercise of its discretion and judgment, may enter into agreements with taxing or other authorities for the payment of such amounts as may be withheld in accordance with the provisions of this Section 8.7.3. Notwithstanding the foregoing but without prejudice to the Unsecured Creditor Trustee's rights hereunder, such Person shall have the right with respect to the United States, or any state, or any political subdivision of either, to contest the imposition of any tax or other charge by reason of any Distribution hereunder.

8.7.4 Tax Reporting. To the extent that any Beneficiary may be able to use the installment method of reporting income with respect to an Distribution, the Unsecured Creditor Trustee will annually compile and disseminate to Beneficiaries who request such information all available tax return information with respect to interest (stated or unstated) and otherwise necessary or useful in reporting under the installment method.

8.7.5 Interest. In the Unsecured Creditor Trustee's discretion, interest received with respect to principal distributed pursuant to this Unsecured Creditor Trust Agreement shall be distributed along with the underlying principal.

8.7.6 Allocation of Income and Losses. Unless otherwise determined by the Unsecured Creditor Trustee in its reasonable discretion, allocations between Beneficiaries of taxable income of the Unsecured Creditor Trust for each of its tax years shall be determined by reference to the manner in which an amount of Cash in the Unsecured Creditor Trust equal to the amount of such taxable income of the Unsecured Creditor Trust would be distributed (without regard to any restrictions on Distributions described in the Plan) if, immediately before such deemed Distribution, the Unsecured Creditor Trust had distributed all its other assets (valued for this purpose at their tax book value) in respect of the Beneficial Interests, taking into account all prior and concurrent Distributions from the Unsecured Creditor Trust made in accordance with the Plan. Similarly, taxable loss generally will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating Distribution of the remaining assets of the Unsecured Creditor Trust. The tax book value of assets for purpose of this Unsecured Creditor Trust Agreement means their fair-market value on the Effective Date or, if later, the date on which such assets were acquired by the Unsecured Creditor Trust, adjusted in either case in accordance with applicable tax accounting principles. With regard to transfers of Beneficial Interests in accordance with Article 7 hereof the Unsecured Creditor Trustee shall promptly establish a standard convention for allocating and apportioning taxable income and loss

between a transferor and its transferee and shall not be required to so allocate and apportion based on the actual Unsecured Creditor Trust activities prior and subsequent to the date of any transfer. The Unsecured Creditor Trustee shall notify the Beneficiaries of the convention adopted promptly after such adoption. The Unsecured Creditor Trustee shall use its sole discretion to establish a fair and equitable convention to apply and may, but is not required to, adopt a monthly, quarterly, or similar Distribution Record Date convention.

ARTICLE 9

TERMINATION

The Unsecured Creditor Trust shall terminate upon the earlier of (1) the date which is 5 years after the date this Unsecured Creditor Trust is created, (2) payment of all Class 4 Allowed General Unsecured Claims and Class 1.1 Employee Claims in accordance with the Plan, or (3) the distribution of all Unsecured Creditor Trust Assets. Notwithstanding the foregoing, with Bankruptcy Court approval, the Unsecured Creditor Trustee may extend the term of the Unsecured Creditor Trust for one or more finite terms based upon the particular facts and circumstances at that time, if it is in the best interest of the Beneficiaries and an extension is necessary to the liquidating purpose of the Unsecured Creditor Trust. If permitted under applicable law and not contrary to the classification of the Unsecured Creditor Trust as a liquidating trust and a pass-through entity under applicable income tax law, and if in the best interests of the Beneficiaries, the Unsecured Creditor Trustee may distribute interests in the Unsecured Creditor Trust Assets or distribute the Unsecured Creditor Trust Assets to another Person and then distribute interests in such Person to the Beneficiaries. Unsecured Creditor Trust Assets to be distributed in kind shall be valued by the Unsecured Creditor Trustee in its reasonable discretion at their tax book value. After all liabilities of the Unsecured Creditor Trust have been satisfied or duly provided for, such remaining Unsecured Creditor Trust Assets shall be distributed to Beneficiaries as a final Distribution. The Unsecured Creditor Trust may not be terminated at any time by the Beneficiaries.

ARTICLE 10

MISCELLANEOUS

10.1 Notices. Any notice required to be given by this Unsecured Creditor Trust Agreement to all Beneficiaries shall be in writing and shall be sent by first class mail, or in the case of mailing to a non-United States address, air mail, postage prepaid. All other notices, requests or other communications required or permitted to be made in accordance with this Unsecured Creditor Trust Agreement shall be in writing and shall be delivered by U.S. certified mail, return receipt requested, to:

(a) If to the Unsecured Creditor Trustee:

Attention: _____

(b) if to any Beneficiary in such Beneficiary's capacity as a Beneficiary, at such Beneficiary's address as listed in the Unsecured Creditor Trust Register or as identified in a written request for notice delivered to the Unsecured Creditor Trustee.

(c) If to the Oversight Committee:

Attention: _____

(d) If to the Plan Trustee:

Attention: _____

with a copy to:

Attention: _____

Notice mailed shall be effective on the date mailed. All other notices shall be effective on the date of delivery. Any Person may change the address at which it is to receive notices under this Unsecured Creditor Trust Agreement by furnishing written notice pursuant to the provisions of this Section 10.1 to the entity to be charged with knowledge of such change.

10.2 Amendment. Material amendments to this Unsecured Creditor Trust Agreement require Bankruptcy Court approval after notice to the Oversight Committee and the Plan Trustee. This Unsecured Creditor Trust Agreement may be amended by the Unsecured Creditor Trustee without Bankruptcy Court approval to correct typographical errors or if such amendment is not material and does not adversely affect the interests of any Beneficiary, but such amendment shall not be effective until 45 days after the Oversight Committee and the Plan Trustee shall have been

given notice of such amendment. The Unsecured Creditor Trustee shall consult with the Oversight Committee before making any non-material amendment and before seeking Bankruptcy Court approval of any material amendment.

10.3 Counterparts. This Unsecured Creditor Trust Agreement may be executed in one or more Counterparts, all of which shall taken together to constitute one and the same instrument.

10.4 Governing Law; Severability. This Unsecured Creditor Trust Agreement shall be governed by construed under and interpreted in accordance with the laws of the State of New York. If a court of competent jurisdiction determines that any provision of this Unsecured Creditor Trust Agreement is invalid or unenforceable under such applicable law, such invalidity or unenforceability shall not invalidate the entire Unsecured Creditor Trust Agreement. In that case, this Unsecured Creditor Trust Agreement shall be construed so as to limit any term or provision so as to make it enforceable or valid within the requirements of applicable law, and, if such term or provision cannot be so limited, this Unsecured Creditor Trust Agreement shall be construed to omit such invalid or unenforceable provisions, provided that such construction, to the maximum extent possible, shall give effect to the purposes of the Plan.

10.5 Headings. Sections, subheadings and other headings used in this Unsecured Creditor Trust Agreement are for convenience only and shall not affect the construction of this Unsecured Creditor Trust Agreement.

10.6 Relationship to Plan. The Unsecured Creditor Trustee shall have full power and authority to take any action consistent with the purpose and provisions of the Plan and shall be bound by the terms of the Plan. In the event of a conflict between the Plan (excluding this Unsecured Creditor Trust Agreement) and this Unsecured Creditor Trust Agreement, the Plan shall govern.

10.7 Consent to Jurisdiction. Each of the parties hereto (and each Beneficiary by virtue of the benefits provided pursuant to the Plan and the Unsecured Creditor Trust created hereunder) (1) consents and submits to the jurisdiction of the Courts of the State of Indiana and of the Courts of the United States for the District of Indiana for all purposes of this Unsecured Creditor Trust Agreement, including, without limitation, any action or proceeding instituted for the enforcement of any right, remedy, obligation, or liability arising under or by reason hereof, and (2) consents and submits to the venue of such action or proceeding in the City of Indianapolis (or such Judicial District of a Court of the United States as shall include the same).

10.8 Waiver of Jury Trial. ANY AND ALL RIGHT TO TRIAL BY JURY IS HEREBY WAIVED, AND THERE SHALL BE NO RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS TRUST AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

10.9 References to Oversight Committee. If the Oversight Committee no longer exists at any time during the terms of this Unsecured Creditor Trust, then the Unsecured Creditor Trustee shall take all actions under this Unsecured Creditor Trust Agreement without

regard to requirements that it meet with, consult with, or seek approval from the Oversight Committee.

10.10 Preservation of Privilege and Defenses. In connection with the rights, claims, and Preference Actions that constitute the Unsecured Creditor Trust Assets, (1) any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred to the Unsecured Creditor Trust shall vest in the Unsecured Creditor Trustee and his representatives, and the Debtor and the Unsecured Creditor Trustee are authorized to take all necessary actions to effectuate the transfer of such privileges and available defenses; and (2) any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) held by the Committee shall vest in the Oversight Committee and its representatives, and the Committee and the Oversight Committee are authorized to take all necessary actions to effectuate the transfer of such privileges and available defenses.

10.11 Cooperation. The Debtor shall provide the Unsecured Creditor Trustee with copies of such of its books and records as the Unsecured Creditor Trustee shall reasonably require for the purpose of performing his duties and exercising his powers hereunder.

10.12 No Suits by Claimholders. No Claimholder shall have any right by virtue of any provision of this Unsecured Creditor Trust Agreement to institute any action or proceeding in law or in equity against any party other than the Unsecured Creditor Trustee on or under or with respect to the Unsecured Creditor Trust Assets.

10.13 Irrevocability. The Unsecured Creditor Trust is irrevocable, but is subject to amendment as provided for herein.

10.14 Enforcement and Administration. The Bankruptcy Court shall enforce and administer the provisions of this Unsecured Creditor Trust Agreement, as set forth in the Plan and herein.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Unsecured Creditor Trust Agreement or have caused this Unsecured Creditor Trust Agreement to be duly executed by duly authorized officers as of the day and year first above written.

UNSECURED CREDITOR TRUSTEE

By: _____

Print : _____

Title: Unsecured Creditor Trustee

ATA AIRLINES, INC.

By: _____

Print: _____

Title: _____

EXHIBIT 2 TO THE DISCLOSURE STATEMENT

DISTRIBUTION ANALYSIS

ATA AIRLINES, INC.

Distribution Analysis

With Respect to Employee Claims and General Unsecured Claims

Dollars in Thousands

	Estimated Range of Recoveries		
	Low	Mid	High
Estimated Recoveries:			
Priority Employee Claims:			
Labor Settlement Fund	\$ 4,000	\$ 4,000	\$ 4,000
50% of Net Preference Recoveries	1,900	3,665	5,800
7.5% of Net FedEx Recoveries	UNKNOWN	UNKNOWN	UNKNOWN
Allocable Unsecured Creditor Trust Operating Expenses	(404)	(404)	(404)
Unsecured Portion of Employee Claims	139	283	473
	<u>\$ 5,637</u>	<u>\$ 7,547</u>	<u>\$ 9,865</u>
General Unsecured Claims:			
Unsecured Settlement Fund	2,500	2,500	2,500
Net Trust Operating Expenses	(654)	(654)	(654)
50% of Net Preference Recoveries	1,900	3,665	5,800
7.5% of Net FedEx Recoveries	UNKNOWN	UNKNOWN	UNKNOWN
	<u>\$ 3,746</u>	<u>\$ 5,511</u>	<u>\$ 7,646</u>
Estimated Claims:			
Employee Claims:			
Priority Employee Claims	\$ 5,496	\$ 7,261	\$ 9,396
Unsecured Portion of Employee Claims	23,471	21,706	19,571
	<u>\$ 28,967</u>	<u>\$ 28,967</u>	<u>\$ 28,967</u>
General Unsecured Claims	<u>\$ 625,000</u>	<u>\$ 420,000</u>	<u>\$ 320,000</u>
Estimated Returns to Certain Creditors			
Employee Claims	<u>19.5%</u>	<u>26.1%</u>	<u>34.1%</u>
General Unsecured Creditors	<u>0.6%</u>	<u>1.3%</u>	<u>2.4%</u>
For every \$25 million of Net FedEx Recovery:			
Return to holders of Priority Employee Claims	<u>8.0%</u>	<u>8.6%</u>	<u>9.6%</u>
Return to holders of General Unsecured Claims	<u>0.3%</u>	<u>0.4%</u>	<u>0.6%</u>

See Accompanying Notes and Assumptions

ATA AIRLINES, INC.

Notes and Assumptions to Distribution Analysis With Respect to Employee Claims and General Unsecured Claims

1. Basis of Presentation.

The accompanying Distribution Analysis with respect to Employee Claims and General Unsecured Claims (the “Distribution Analysis”) analyzes the expected range of recoveries to holders of Employee Claims and Allowed General Unsecured Claims under three different recovery cases pursuant to the Plan. The recovery cases include an estimated low-range recovery, an estimated mid-range recovery and an estimated high-range recovery.

The Debtor’s Disclosure Statement should be read in conjunction with the Distribution Analysis and these notes and assumptions.

Capitalized terms not otherwise defined in the Distribution Analysis and these notes and assumptions shall have the meaning ascribed to them in the Glossary to the Plan.

2. Assumptions Used for Estimated Recoveries.

a. Priority Employee Claims.

- i. **Labor Settlement Fund.** The Labor Settlement Fund represents \$4 million to be reserved out of the Unsecured Creditor Trust Assets and deposited into a segregated interest-bearing account in the name of the Unsecured Creditor Trust to be used for payment and satisfaction of Priority Employee Claims pursuant to the Plan.
- ii. **50% of Net Preference Recoveries.** Net Preference Recoveries means the net proceeds from the recovery of Preference Actions after deduction for payment of all costs and expenses incurred in obtaining such recovery. Holders of Employee Claims are entitled to receive 50% of Net Preference Recoveries under the Plan. Low-range Net Preference Recoveries are estimated at approximately \$3.8 million, mid-range Net Preference Recoveries are estimated at approximately \$7.3 million and high-range Net Preference Recoveries are estimated at approximately \$11.6 million, all after deducting 40% estimated costs of recovery.
- iii. **7.5% of Net FedEx Recoveries.** Net FedEx Recoveries means the net proceeds from the recovery by ATA or the Plan Trustee of any claims against FedEx in the FedEx Litigation after deduction for payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Holders of Employee Claims are entitled to receive 7.5% of Net FedEx Recoveries under the Plan. Net FedEx recoveries are unknown at this time.

- iv. **Allocable Unsecured Creditor Operating Expenses.** Allocable Unsecured Creditor Trust Operating Expenses have been allocated evenly to holders of Employee Claims and holders of General Unsecured Claims except for those estimated operating expenses which are attributable only to one or the other (such as costs to be incurred with respect to objecting to General Unsecured Claims).
- v. **Pro Rata General Unsecured Claims Recoveries.** Under each recovery case, the pro rata General Unsecured Claims Recoveries are based upon Employee Claims in excess of amounts to be paid to holders of Priority Employee Claims. Such recoveries are based upon the estimated returns to General Unsecured Creditors under each of the three recovery cases.

b. General Unsecured Claims.

- i. **Unsecured Settlement Fund.** The Unsecured Settlement Fund represents \$2.5 million to be reserved out of the Unsecured Creditor Trust Assets and deposited into a segregated interest-bearing account called the Unsecured Creditor Account to be used for (i) payment and satisfaction of Allowed General Unsecured Claims pursuant to the Plan, (ii) payment of Unsecured Creditor Trust Operating Expenses, including without limitation, payment of any costs and expenses incurred for the purpose of investigating, prosecuting, and/or settling objections to General Unsecured Claims, and payment of any costs and expenses incurred for the purpose of investigating, prosecuting and/or settling Preference Actions.
- ii. **Net Trust Operating Expenses.** Net Trust Operating Expenses have been allocated evenly to holders of Employee Claims and holders of General Unsecured Claims except for those estimated operating expenses which are attributable only to one or the other (such as costs to be incurred with respect to objecting to General Unsecured Claims).
- iii. **50% of Net Preference Recoveries.** Net Preference Recoveries means the net proceeds from the recovery of Preference Actions after deduction for payment of all costs and expenses incurred in obtaining such recovery. Holders of Employee Claims are entitled to receive 50% of Net Preference Recoveries under the Plan. Low-range Net Preference Recoveries are estimated at approximately \$3.8 million, mid-range Net Preference Recoveries are estimated at approximately \$7.3 million and high-range Net Preference Recoveries are estimated at approximately \$11.6 million, all after deducting 40% estimated costs of recovery.
- iv. **7.5% of Net FedEx Recoveries.** Net FedEx Recoveries means the net proceeds from the recovery by ATA or the Plan Trustee of any claims against Federal Express Corporation in the FedEx Litigation after deduction for

payment or reserve of all costs and expenses incurred from and after the Petition Date in obtaining such recovery. Holders of Employee Claims are entitled to receive 7.5% of Net FedEx Recoveries under the Plan. Net FedEx Recoveries are unknown at this time.

c. **Estimated Claims.**

- i. **Employee Claims.** Priority Employee Claims are equal to the \$4 million Labor Settlement Fund plus any Net Preference Recoveries and Net FedEx Recoveries, net of Allocable Unsecured Creditor Trust Operating Expenses. General Unsecured Claims of former employees are equal to total Employee Claims of \$28,967,000 less Priority Employee Claims.
- ii. **General Unsecured Claims.** General Unsecured Claims are estimated at \$420 million in the mid-range recovery case, which includes Executory Contracts rejection damage claims, excludes Affiliate Claims and excludes and Lender Deficiency Claims, plus an amount approximating General Unsecured Claims of former employees. With respect to the low-range recovery case, \$200 million has been added to the \$400 million plus an amount approximating General Unsecured Claims of former employees. With respect to the high-range recovery case, the \$400 million estimate was reduced by \$100 million and an amount approximating General Unsecured Claims of former employees has been added.

EXHIBIT 3 TO THE DISCLOSURE STATEMENT

LIQUIDATION ANALYSIS AND NOTES

ATA AIRLINES, INC.
Chapter 7 Liquidation in Lieu of Plan Confirmation

Dollars in Thousands

	Chapter 7	Plan
Assets available:		
Cash and cash equivalents	\$ 55,500	\$ 63,000
Receivables, net	850	1,000
Consignment parts and fuel inventories	1,325	2,650
Retainers	1,050	1,050
Deposits	50	100
Letter of credit cash collateral and surety bonds	250	500
Net Preference Recoveries	3,840	7,335
Net FedEx Recoveries	UNKNOWN	UNKNOWN
	62,865	75,635
Lender Secured Claims	(57,975)	(50,650)
Cash available to satisfy General Unsecured Claims	4,890	24,985
Chapter 7 Administrative Claims		
Chapter 7 Trustee fees	172	-
Chapter 7 Trustee legal fees and expenses	500	-
Other chapter 7 Administrative Claims	100	-
	772	-
Cash available to satisfy chapter 11 General Unsecured Claims	\$ 4,118	\$ 24,985
Chapter 11 Priority Unsecured Claims:		
Chapter 11 Administrative Claims	\$ 2,000	1,200
Professional Compensation Claims	1,100	1,100
Priority Employee Claims	28,967	4,000
Priority Unsecured Non-Tax Claims (Customer Deposits)	2,000	1,000
Priority Unsecured Tax Claims	4,000	2,800
	\$ 38,067	\$ 10,100
General Unsecured Claims:		
Third party claims:		
Claims, including Executory Contract rejection Claims	\$ 600,000	\$ 400,000
Employee Claims (Unsecured portion)	-	20,000
Lender Deficiency Claims	309,125	316,450
Affiliate Claims	271,952	271,952
	\$ 1,181,077	\$ 1,008,402

ATA AIRLINES, INC.
Chapter 7 Liquidation in Lieu of Plan Confirmation

Dollars in Thousands

	<u>Chapter 7</u>	<u>Plan</u>
Return to Creditors per dollar of claim:		
Lender Claims	15.9%	13.9%
Holders of chapter 7 Administrative Claims	100.0%	N/A
Holders of chapter 11 Administrative Claims	100.0%	100.0%
Holders of Professional Compensation Claims	100.0%	100.0%
Holders of chapter 11 Priority Employee Claims	3.5%	100.0%
Holders of other chapter 11 Priority Unsecured Non-Tax Claims	0.0%	100.0%
Holders of Priority Unsecured Tax Claims	0.0%	100.0%
Holders of chapter 11 General Unsecured Claims:		
Including Lender Deficiency Claims and Affiliate claims	0.0%	N/A
Excluding Lender Deficiency Claims and Affiliate claims	0.0%	1.3%

See Accompanying Notes and Assumptions.

ATA AIRLINES, INC.

Notes and Assumptions

To Chapter 7 Liquidation in Lieu of Plan Confirmation

1. Basis of Presentation

The accompanying Chapter 7 Liquidation in Lieu of Plan Confirmation analysis (the “Liquidation Analysis”) compares a hypothetical liquidation scenario under chapter 7 of the Bankruptcy Code with the proposed chapter 11 Plan of the Debtor that incorporates the Global Settlement. The Debtor’s Disclosure Statement should be read in conjunction with this Liquidation Analysis and these notes and assumptions. The Liquidation Analysis assumes that by the end of February 2009, the Plan has not been confirmed by the Bankruptcy Court and the Debtor’s chapter 11 case is converted to a case under chapter 7 of the Bankruptcy Code and the Debtor’s assets are liquidated over a twelve month period, with the cash proceeds therefrom distributed to Creditors in accordance with the priority provisions of the Bankruptcy Code.

The accompanying Liquidation Analysis was prepared assuming that after the transaction with Southwest closes in a chapter 11 context, substantially all of the assets of the Debtor have been disposed of except for the assets being transferred to the Plan Trust. To the extent assets of the Debtor are not disposed of by the Effective Date, as contemplated, such assets will be transferred to the Plan Trust and cash at the Effective Date will be less. Conversely, to the extent assets intended to be transferred to the Plan Trust are disposed of prior to the Effective Date, cash will be greater at the Effective Date.

Capitalized terms not otherwise defined in the Liquidation Analysis and these notes and assumptions shall have the meaning ascribed to them in the Glossary to the Plan.

The primary assumption underlying the Liquidation Analysis is that until the Bankruptcy Case is converted, the management of the Debtor has taken the necessary steps to prepare the Debtor to effectuate the Plan as contemplated in the Disclosure Statement. However, it is assumed that the sale transaction with Southwest and the Global Settlement do not occur since these transactions are subject to a confirmed plan under chapter 11.

2. Assumptions with Respect to Assets.

- a. **Cash and cash equivalents.** Cash and cash equivalents represent the estimated amount of unrestricted Cash existing at the end of February 2009 in the Debtor’s bank accounts and investments. The chapter 7 cash is \$7.5 million less than the chapter 11 cash because the chapter 7 analysis assumes the transaction with Southwest, aggregating \$7.5 million, does not occur.
- b. **Receivables, net.** Receivables, net are amounts estimated to be collected after the end of February 2009, including tax refunds, and miscellaneous amounts owed to

the Debtor. Collection of the chapter 7 receivables is estimated at 85% of the face value estimated in the chapter 11 context.

- c. **Consignment parts and fuel inventories.** Sales of consignment parts and fuel inventories in the chapter 7 are estimated at 50% of their estimated value in the chapter 11 context.
- d. **Retainers.** Retainers are funds held by counsels for the Debtor and are estimated to be fully realized either in chapter 7 or chapter 11.
- e. **Deposits.** Collections of deposits in chapter 7 are estimated to be realized at 50% of their face value in the chapter 11 context.
- f. **Letter of credit cash collateral and surety bonds.** Collections of letters of credit, cash collateral and surety bonds in chapter 7 are estimated to be realized at 50% of value in a chapter 11 case.
- g. **Net Preference Recoveries.** Under the Plan and the Global Settlement, the Lenders have agreed to allow some of their Cash Collateral to be used to create the Unsecured Creditor Fund, part of which will be used to initiate the investigation and prosecution of Preference Actions (subject to reimbursement from recoveries). In a chapter 7, no funds from the Lenders' Cash Collateral would be available to initiate this process, and the Chapter 7 Trustee would not be able to engage accountants on a contingency basis to assist in the investigation. Moreover, in a chapter 7, preference recoveries over \$7.5 million are subject to the Lenders' super-priority administrative claim under the Cash Collateral Agreement. The Debtor therefore believes that the preference recoveries would be significantly lower in a chapter 7. Accordingly, the value of Net Preference Recoveries coincides with the low range of estimated recoveries in a chapter 7 and coincides with the mid range of estimated recoveries under chapter 11.
- h. **Net FedEx Recoveries.** Under the Plan, the Lenders have agreed to allow some of their Cash Collateral to be used to fund Plan Trust Operating Expenses, which includes the fees and expenses with respect to prosecuting the FedEx Litigation. In a chapter 7, these funds would not be available to pay these fees and expenses. The estimated value attributable to the pending lawsuit against FedEx is unknown because the FedEx Litigation has just recently commenced and discovery is not yet completed. It is uncertain whether or not a chapter 7 Trustee would have access to unencumbered Cash to pursue the FedEx Litigation, or whether or not the chapter 7 Trustee could retain a law firm to accept the representation on a contingency basis. For all of the foregoing reasons and specifically, for purposes of the Liquidation Analysis, the estimated value for Net FedEx Recoveries is unknown at this time.

3. Assumptions with Respect to the Lender Secured Claims.

In the chapter 7 context, the amount of the Lender Secured Claims is estimated based on the liquidation value of the available assets that secure the Lenders' liens. Accordingly, the total liquidation value of the assets must be reduced by the value of the assets that do not secure the Lenders liens – which are the retainers of \$1,050,000 and the Net Preference Recoveries of \$3,840,000. This yields an amount for the Lender Secured Claims of \$57,975,000 in a chapter 7 context. Under the chapter 11 plan, the analysis is similar, except \$16,600,000 of Cash Collateral is used to fund the Plan and the values for Net Preference Recoveries and the retainers must be deducted from the total asset value to yield \$50,650,000.

4. Assumptions with Respect to Chapter 7 Administrative Expenses.

- a. **Chapter 7 Trustee fees.** Chapter 7 Trustee fees have been estimated based upon the statutory maximum amount in accordance with Section 326(a) of the Bankruptcy Code, assuming that the Lenders foreclose on their liens and recover their Cash Collateral prior to conversion of the case.
- b. **Chapter 7 Trustee legal fees and expenses.** Chapter 7 trustee legal fees and expenses have been estimated assuming all costs and expenses with respect to the pursuit of Preference Actions have been netted against gross recoveries (under "Assets available") and the only significant legal tasks will be the objections to certain Priority Claims.
- c. **Other chapter 7 Administrative Claims.** Other chapter 7 Administrative Claims have been estimated at \$100,000 to cover unforeseen matters.

5. Chapter 11 Priority Claims.

- a. **Chapter 11 Administrative Claims.** Chapter 11 Administrative Claims have been estimated based upon Administrative Claims filed to date. The Debtor has been paying chapter 11 Administrative Claims in the ordinary course of business and therefore most Administrative Claims are based upon Section 503(b)(9) of the Bankruptcy Code. Under the Plan, the Plan Trustee has or will have access to knowledgeable former employees who can assist in analyzing and resolving Administrative Claims. In a chapter 7, those former employees will no longer be available after conversion. Accordingly, the Debtor estimates that chapter 11 Administrative Claims would be significantly higher in a chapter 7 because the Chapter 7 Trustee's efforts to reduce them would be impaired.
- b. **Professional Compensation Claims.** Professional Compensation Claims have been estimated by the Debtor to cover all professional fees incurred and unpaid by the end of February 2009 and are identical under chapter 7 or under chapter 11.
- c. **Priority Employee Claims.** Priority Employee Claims under the Plan reflect the Global Settlement that becomes effective under the Plan. In a chapter 7, the Global

Settlement does not become effective and labor groups are free to pursue their WARN Act claims against the Debtor. It was estimated by the Debtor that substantial defense costs would be incurred to defend WARN Act claims and object to the other Employee Claims and it is uncertain whether a chapter 7 trustee would incur the costs to defend such claims. Therefore, the total potential estimated WARN Act claims have been included in chapter 11 Priority Claims under chapter 7.

- d. **Priority Unsecured Non-Tax Claims (Customer Deposits).** Priority Unsecured Non-Tax Claims (Customer Deposits) have been estimated based upon Section 507(a)(7) of the Bankruptcy Code and represent the Debtor's estimate of claims of individuals, to the extent of \$2,425.00, arising from the purchase of airline tickets before the commencement of the case, for the personal or household use of such individuals in connection with cancelled flights. The Debtor has made its estimate based upon claims that have been filed. Under chapter 7, it is estimated that there likely would not be a distribution to holders of these priority claims and therefore the chapter 7 trustee likely would not object to these proofs of claim.
- e. **Priority Unsecured Tax Claims.** Priority Unsecured Tax Claims have been estimated based upon Section 507(a)(8) of the Bankruptcy Code and represent Unsecured Claims of governmental units. The Debtor has made its estimate based upon Claims that have been filed. Under chapter 7, it is estimated that there likely would not be a distribution to holders of these Priority Claims and therefore the chapter 7 trustee likely would not object to these proofs of claim.

6. General Unsecured Claims.

- a. **Claims, including Executory Contracts rejection claims.** Executory Contracts rejection Claims have been estimated by the Debtor based upon Claims filed to date, and the Debtor's independent calculation of aircraft lease rejection claims, net of mitigation, under the Plan. Under chapter 7, it is estimated that there likely would not be a distribution to holders of General Unsecured Claims and therefore the chapter 7 trustee likely would not object to these proofs of claim.
- b. **Employee Claims.** These claims have been estimated under the Plan in accordance with the Global Settlement. The Global Settlement provides that the portion of the Employee Claims that remain unpaid after application of the \$4 million Labor Settlement Fund, 7.5% of Net FedEx Recoveries and 50% of Net Preference Recoveries are treated as General Unsecured Claims. Under chapter 7, it is estimated that there likely would not be a distribution to holders of Employee Claims and therefore no objections would be made to Employee Claims, which are assumed to be filed as Priority Claims.
- c. **Lender Deficiency Claims.** The Lender Deficiency Claims have been estimated by adding the Deficiency Claims included on Schedule D of the Schedule of Assets and Liabilities (\$2.1 million), to the total Lender Claims of \$365 million, less the amount of the Lenders' liens.

- d. **Affiliate Claims.** The amount of Affiliate Claims has been estimated by the Debtor based upon the amounts included in the Debtor's books and records at the time the Schedule of Assets and Liabilities were filed. Under the Plan, holders of Affiliate Claims do not receive a distribution. Under chapter 7, it is estimated that there would not be a distribution to holders of Affiliate Claims.

EXHIBIT 4 TO THE DISCLOSURE STATEMENT

PRO FORMA BALANCE SHEETS AND NOTES

ATA AIRLINES, INC.
ProForma Closing Balance Sheets
At Confirmation and the Effective Date

	Dollars in Thousands				
	<u>At Conf.</u>	<u>Reorg Adj.</u>	<u>To UC Trust</u>	<u>To Lenders</u>	<u>To Plan Trust</u>
ASSETS					
Cash and cash equivalents	\$ 55,500	\$ 7,500	\$ (6,500)	\$ (46,400)	\$ 10,100
Payment due under Southwest transaction	7,500	(7,500)			
Receivables , net	1,000				1,000
Consignment parts and fuel inventories	2,650				2,650
Retainers	1,050				1,050
Deposits	100				100
Letter of credit cash collateral and surety bonds	500				500
Total Assets	<u>\$ 68,300</u>	<u>\$ -</u>	<u>\$ (6,500)</u>	<u>\$ (46,400)</u>	<u>\$ 15,400</u>
LIABILITIES					
Labor Settlement Fund	\$ 4,000	\$ -	\$ (4,000)		\$ -
Unsecured Settlement Fund	2,500		(2,500)		-
Priority Claim Fund	5,000				5,000
Professional Compensation Claim Fund Estimate	1,100				1,100
Operating Reserve	4,000				4,000
	16,600	-	(6,500)	-	10,100
Claims subject to compromise:					
General Unsecured Claims	400,000	(400,000)			-
Employee Claims (Unsecured portion)	20,000	(20,000)			-
Lender Claims	365,000	(313,300)		(46,400)	5,300
Other Secured Claims, net of value of security	2,100	(2,100)			-
Affiliate Claims	272,000	(272,000)			-
	1,059,100	(1,007,400)	-	(46,400)	5,300
Total Liabilities	1,075,700	(1,007,400)	(6,500)	(46,400)	15,400
SHAREHOLDER'S DEFICIENCY/TRUST CORPUS	<u>(1,007,400)</u>	<u>1,007,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Shareholder's Deficiency/Trust Corpus	<u>\$ 68,300</u>	<u>\$ -</u>	<u>\$ (6,500)</u>	<u>\$ (46,400)</u>	<u>\$ 15,400</u>

See Accompanying Notes and Assumptions

ATA AIRLINES, INC.

Notes and Assumptions to Pro Forma Closing Balance Sheets

At Confirmation and the Effective Date

1. Basis of Presentation

The accompanying Pro Forma Closing Balance Sheets at confirmation (the “Pro Forma Balance Sheets”) have been prepared by management of ATA Airlines, Inc. (“ATA” or the “Debtor”) to demonstrate (i) the pro forma balance sheet of the Debtor at confirmation, (ii) adjustments to the pro forma balance sheet with respect to the Closing of the transaction with Southwest and with respect to the reorganization of the Debtor, including the discharge of indebtedness, (iii) the assets and funds being transferred to the Unsecured Creditor Trust, (iv) the cash being transferred to Lenders, and (v) the opening balance sheet of the Plan Trust.

The accompanying Pro Forma Balance Sheets were prepared assuming that after the transaction with Southwest closes, substantially all of the assets of the Debtor have been disposed of except for the assets being transferred to the Plan Trust. To the extent assets of the Debtor are not disposed of by the Effective Date, as contemplated, such assets will be transferred to the Plan Trust and cash at the Effective Date will be less. Conversely, to the extent assets intended to be transferred to the Plan Trust are disposed of prior to the Effective Date, cash will be greater at the Effective Date.

The Debtor’s Disclosure Statement should be read in conjunction with the accompanying Pro Forma Closing Balance Sheets at confirmation and the Effective Date and these notes and assumptions. Capitalized terms not otherwise defined in the accompanying Pro Forma Balance Sheets and these notes and assumptions shall have the meaning ascribed to them in the Plan.

2. Assumptions with Respect to the Pro Forma Balance Sheets at Confirmation.

- a. **Cash and cash equivalents.** Cash and cash equivalents represent the estimated amount of unrestricted cash existing in the beginning of March 2009 in the Debtor’s bank accounts and investments, just before the Closing of the transaction with Southwest.
- b. **Payment due under Southwest transaction.** Payment due under the Southwest transaction represents the purchase price which Southwest has agreed to pay the Debtor for the business at the Closing, or \$7.5 million.
- c. **Receivables, net.** Receivables, net are estimated at amounts outstanding in the beginning of March 2009 and estimated to be collected over time, by the Plan Trustee, including tax refunds, and miscellaneous amounts owed to the Debtor.
- d. **Consignment parts and fuel inventories.** Consignment parts and fuel inventories are valued at their estimated realizable values over the life of the Plan Trust.

- e. **Retainers.** Retainers are funds held by counsels for the Debtor and in accordance with the retention letters approved by the Bankruptcy Court, and will be applied to final fee applications and any remaining retainer amounts will be paid to the Plan Trust.
- f. **Deposits.** Deposits represent estimated unused deposits held by third parties which will be paid to the Plan Trust.
- g. **Letter of credit cash collateral and surety bonds.** Letter of credit cash collateral and surety bonds represent the estimated amounts of cash collateral that the holder of such cash collateral will pay to the Plan Trust once (i) the letters of credit which are secured by the cash collateral expire or are cancelled, and (ii) estimated cash refunds from the surety once the surety bonds outstanding expire or are cancelled.

3. Assumptions with Respect to Liabilities.

- a. **Labor Settlement Fund.** The Labor Settlement Fund represents \$4 million to be reserved out of the Unsecured Creditor Trust Assets and deposited into a segregated interest-bearing account called the Labor Settlement Account to be used for payment and satisfaction of Priority Employee Claims pursuant to the Plan.
- b. **Unsecured Settlement Fund.** The Unsecured Settlement Fund represents \$2.5 million to be reserved out of the Unsecured Creditor Trust Assets and deposited into a segregated interest-bearing account called the Unsecured Creditor Account to be used for (i) payment and satisfaction of Allowed General Unsecured Claims pursuant to the Plan, (ii) payment of Unsecured Creditor Trust Operating Expenses, including without limitation, payment of any costs and expenses incurred for the purpose of investigating, prosecuting, and/or settling objections to General Unsecured Claims, and payment of any costs and expenses incurred for the purpose of investigating, prosecuting and/or settling Preference Actions.
- c. **Priority Claim Fund.** The Priority Claim Fund represents \$5 million to be reserved out of the Plan Trust Assets and deposited into a segregated interest-bearing account in the name of the Plan Trust to be used for payment and satisfaction of Administrative Claims, Priority Unsecured Non-Tax Claims, Priority Unsecured Tax Claims, Secured Tax Claims and Other Secured Claims pursuant to the Plan.
- d. **Professional Compensation Claim Fund.** The Professional Compensation Claim Fund represents an amount of Cash estimated by the Debtor to be sufficient to satisfy Professional Compensation Claims accruing prior to the Effective Date and deposited into a segregated interest-bearing account in the name of the Plan Trust to be used for payment and satisfaction of Professional Compensation Claims pursuant to the Plan.
- e. **Plan Trust Operating Reserve.** The Plan Trust Operating Reserve represents \$4 million to be reserved out of the Plan Trust Assets and deposited into a segregated

interest-bearing account in the name of the Plan Trust and to be used to fund Plan Trust Operating Expenses.

- f. **General Unsecured Claims.** General Unsecured Claims, including lease rejections Claims, have been estimated by the Debtor based upon Claims filed to date, and the Debtor's independent calculation of aircraft lease rejection claims, net of mitigation.
- g. **Employee Claims (Unsecured portion).** The unsecured portion of Employee Claims have been estimated under the Plan in accordance with the Global Settlement. The Global Settlement provides that Employee Claims of \$28,987,000 that remain unpaid after Distributions from the Labor Settlement Fund, 50% of Net Preference Recoveries and 7.5% of Net FedEx Recoveries, will become Allowed General Unsecured Claims.
- h. **Lender Claims.** The Lender Claims of \$365 million is equal to the amount owed to the Lenders at the Petition Date.
- i. **Other Secured Claims, net of value of security.** Other Secured Claims, net of value of security, represent the Deficiency Claims included on Schedule D of the Schedule of Assets and Liabilities (\$2.1 million) filed in the case.
- j. **Affiliate Claims.** The amount of Affiliate Claims has been estimated by the Debtor based upon the amounts included in the Debtor's books and records at the time the Schedule of Assets and Liabilities were filed.

4. Assumptions with Respect to Reorganization Adjustments.

- a. **Cash and cash equivalents.** At the Closing of the Southwest transaction, Southwest shall pay the purchase price of \$7.5 million.
- b. **General Unsecured Claims.** General Unsecured Claims against the Debtor are discharged and holders of Allowed General Unsecured Claims shall become Beneficiaries of the Unsecured Creditor Trust in relation to their Allowed General Unsecured Claims.
- c. **Employee Claim (Unsecured portion).** Former employees holding an Employee Claim that is a General Unsecured Claim and other holders of General Unsecured Claims will become Beneficiaries of the Unsecured Creditor Trust in relation to their Allowed General Unsecured Claims.
- d. **Lender Claims.** The remaining Lender Claims, after payment to the Lenders of cash equal to the value of their security, will be discharged and the Lenders will become Beneficiaries of the Plan Trust.
- e. **Other Secured Claims, net of value of security.** Other Secured Claims, net of value of security will be discharged and holders of Allowed Other Secured Claims, net of

value of security will become Beneficiaries of the Unsecured Creditor Trust in relation to their Allowed General Unsecured Claims.

- f. **Affiliate Claims.** Affiliate Claims will be discharged and holders of Affiliate claims will not participate in any distribution.

5. Assumptions with Respect to Assets to be Transferred to the Unsecured Creditor Trust.

Cash of \$6.5 million will be transferred to the Unsecured Creditor Trust so that the Unsecured Creditor Trust may fund the Labor Settlement Account with \$4.0 million and the Unsecured Creditor Account with \$2.5 million.

6. Assumptions with Respect to Assets to be Transferred to the Lenders.

Cash in excess of amounts required to fund the Labor Settlement Fund, the Unsecured Settlement Fund, the Priority Claim Fund, the Professional Compensation Claim Fund and the Operating Reserve becomes Lender Recoveries under the Plan and will be distributed to the Lenders.

7. Assumptions with Respect to Assets to be Transferred to the Plan Trust.

Cash required to fund the Priority Claim Reserve (\$5.0 million), the Professional Compensation Claim Fund (\$1.1 million) and the Operating Reserve (\$4.0 million), aggregating \$10.1 million will be transferred to the Plan Trust, as well as all of the other Plan Trust Assets estimated at \$5.3 million.

EXHIBIT 5A TO THE DISCLOSURE STATEMENT

**UNSECURED CREDITOR TRUST
ESTIMATED CASH FLOW AND NOTES**

**ATA Unsecured Creditor Trust
Estimated Cash Flow**

Dollars in Thousands

	2009	2010	Grand Total
Estimated Cash, Beginning of Period	\$ -	\$ 1,154	\$ -
Sources of Cash:			
Labor Settlement Fund	4,000	-	4,000
Unsecured Settlement Fund	2,500	-	2,500
Payments From Plan Trust (employer's portion of employment taxes)	400	-	400
Preference Recoveries	3,925	8,300	12,225
Interest	43	58	101
	<u>10,868</u>	<u>8,358</u>	<u>19,224</u>
Uses of Cash:			
Trustee Fees	150	180	330
Trustee Expenses	20	24	44
Trustee Bond	10	10	20
Storage Fees	30	36	66
Trust Professional Fees and Expenses:			
General	34	24	58
Claims Objections	250	-	250
Preference Expenses (40% of Preference Recoveries)	670	4,220	4,890
Accounting Fees	10	10	20
Registrar	90	170	260
Distributions:			
To holders of Employee Claims	6,000	1,263	7,263
To General Unsecured Creditors	2,000	3,514	5,514
Employer's Portion of Employment Taxes	400	-	400
Miscellaneous	50	61	111
	<u>9,714</u>	<u>9,512</u>	<u>19,226</u>
Net Cash Flow	<u>1,154</u>	<u>(1,155)</u>	<u>0</u>
Cash at End of Period	<u>\$ 1,154</u>	<u>\$ 0</u>	<u>\$ 0</u>

See Accompanying Notes and Assumptions

ATA UNSECURED CREDITOR TRUST

Notes and Assumptions to Estimated Cash Flow

Dollars in Thousands

1. Basis of Presentation.

The Unsecured Creditor Trust will be formed pursuant to the Plan and created for the benefit of certain Creditors of the Debtor. The Debtor's Disclosure Statement should be read in conjunction with the accompanying Estimated Cash Flow and these notes and assumptions. Capitalized terms not otherwise defined in the accompanying Estimated Cash Flow and the notes and assumptions shall have the meaning ascribed to them in the Plan.

The objectives of the Unsecured Creditor Trust are to reconcile and liquidate the General Unsecured Claims of the Debtor, the pursuit, settlement and/or resolution of Preference Actions, and the Distribution of the cash proceeds therefrom to the holders of Allowed Priority Employee Claims and Allowed General Unsecured Claims of the Debtor who are the Beneficiaries of the Unsecured Creditor Trust.

The initial assets of the Unsecured Creditor Trust are estimated to include cash aggregating \$6.5 million, representing the Labor Settlement Fund (\$4.0 million), the Unsecured Settlement Fund (\$2.5 million), and Preference Actions.

- a. **Labor Settlement Fund.** The Labor Settlement Fund represents \$4 million to be reserved out of the Unsecured Creditor Trust Assets and deposited into a segregated interest-bearing account called the Labor Settlement Account to be used for payment and satisfaction of Priority Employee Claims pursuant to the Plan.
- b. **Unsecured Settlement Fund.** The Unsecured Settlement Fund represents \$2.5 million to be reserved out of the Unsecured Creditor Trust Assets and deposited into a segregated interest-bearing account called the Unsecured Creditor Account to be used for (i) payment and satisfaction of Allowed General Unsecured Claims pursuant to the Plan, (ii) payment of Unsecured Creditor Trust Operating Expenses, and payment of Preference Expenses.
- c. **Preference Recoveries.** Preference Recoveries are gross recoveries from causes of action arising under 11 U.S.C § 547 against any Person who is not an Affiliate of the Debtor.

The initial liabilities of the Unsecured Creditor Trust include the liabilities associated with the above-noted funds.

2. Assumptions Used with Respect to Preparation of the Estimated Cash Flow.

The amounts reflected in the Estimated Cash Flow are estimates made by management of the Debtor, in good faith. Nevertheless, there can be no assurances that the actual outcomes will be consistent with the estimates made herein.

- a. **General.** It is contemplated that the Plan will be confirmed in early March 2009 and that the Unsecured Creditor Trust will commence operations shortly thereafter. Consequently, it is contemplated that the year 2009 will include operations of the Unsecured Creditor Trust for ten months. It is contemplated that the Unsecured Creditor Trust operations will be concluded by December 31, 2010.
- b. **Sources of cash.** Other than the sources of Cash described above, it is estimated that Cash will be generated from Net Preference Recoveries, payments from the Plan Trust (which will be 15% of Net FedEx Recoveries) and interest earned on idle funds. Gross recoveries on Preference Actions are estimated in the accompanying Estimated Cash Flow to be in the mid range of recoveries or \$12.2 million. Initial preference recoveries are estimated to commence in May 2009. Costs associated with preference recoveries are estimated at 40% of recoveries. Net Preference Recoveries are to be distributed to the Beneficiaries of the Unsecured Creditor Trust, 50% of which will be distributed to holders of Employee Claims and 50% of which will be distributed to holders of Allowed General Unsecured Claims. Thereafter, the payments from litigation will result from 15% of Net FedEx Recoveries, half of which are to be distributed to holders of Employee Claims and the remaining 50% is to be distributed to holders of General Unsecured Claims. Interest earned on idle cash balances is estimated to be earned at 1.5% per annum.
- c. **Uses of cash.** Other than the uses of Cash described above, the other costs of the Unsecured Creditor Trust relate to administering the operations of the Unsecured Creditor Trust, the review of, and if appropriate the objection to the allowance of General Unsecured Claims, the management of the prosecution of Preference Actions and finally the distribution of the net proceeds of the Unsecured Creditor Trust to the Beneficiaries. It has been estimated that Unsecured Creditor Trustee fees shall be \$15,000 per month for the term of the Unsecured Creditor Trust. Professional fees and expenses are provided for the investigation and possible objection of General Unsecured Claims, in addition to prosecuting the Preference Actions.
- d. **Distributions.** In accordance with the Plan and the Unsecured Creditor Trust Agreement, the Unsecured Creditor Trust is entitled to receive (from the Plan Trust) 15% of net recoveries (net of costs) from the FedEx Litigation, half of which (7.5%) shall be distributed by the Unsecured Creditor Trust to the holders of Employee Claims and the other half of which shall be distributed to the holders of Allowed General Unsecured Claims. It is estimated that the trial with respect to the FedEx Litigation will take place by April 2010. It is estimated that the prosecution of Preference Actions shall be concluded by September 2010. Net Preference Recoveries are to be distributed to the Beneficiaries of the Unsecured Creditor Trust,

50% of which will be distributed to holders of Employee Claims and 50% of which will be distributed to holders of Allowed General Unsecured Claims. Interim distributions may be made in the event that the Unsecured Creditor Trustee, in his or her sole discretion, deems it to be prudent.

EXHIBIT 5B TO THE DISCLOSURE STATEMENT

**PLAN TRUST
ESTIMATED CASH FLOW AND NOTES**

ATA PLAN TRUST
Estimated Cash Flow

Dollars in Thousands

	2009	2010	Grand Total
Estimated Cash, Beginning of Period	\$ -	\$ 6,304	\$ -
Sources of Cash:			
Plan Trust Operating Expense Reserve	4,000	-	4,000
Priority Claim Fund	5,000	-	5,000
Professional Compensation Claim Fund	1,100	-	1,100
Receivables, net	1,120	160	1,280
FedEx Recoveries	UNKNOWN	UNKNOWN	UNKNOWN
Consignment parts and fuel inventories	2,570	80	2,650
Miscellaneous	3	-	3
Letter of credit cash collateral and surety bond refunds	500	-	500
Retainers	1,050	-	1,050
Deposits	100	-	100
Interest	117	98	215
	15,559	338	15,898
Uses of Cash:			
Trustee Fees	350	420	770
Trustee Expenses	20	24	44
Trustee Bond	10	10	20
Storage Fees	30	36	66
Trust Professional Fees and Expenses:			
Legal Fees and Expenses	2,190	1,902	4,092
Accounting Fees	10	10	20
Registrar	50	60	110
Payment of Priority Claims	5,000	-	5,000
Payment of Professional Compensation Claims	1,100	-	1,100
Distributions:			
To Lenders	-	3,969	3,969
To Unsecured Creditor Trust (employment taxes on Labor Settlement Fund)	400	-	400
To Unsecured Creditor Trust (Net FedEx Recoveries)	UNKNOWN	UNKNOWN	UNKNOWN
US Trustee Fees	45	75	120
Miscellaneous	50	137	187
	9,255	6,643	15,898
Net Cash Flow	6,304	(6,305)	(0)
Cash at End of Period	\$ 6,304	\$ (0)	\$ (0)

See Accompanying Notes and Assumptions.

ATA PLAN TRUST

Notes and Assumptions to Estimated Cash Flow

1. Basis of Presentation.

The Plan Trust will be formed pursuant to the Plan and created for the benefit of the Lenders and certain Creditors of the Debtor. The Debtor's Disclosure Statement should be read in conjunction with the accompanying Estimated Cash Flow and these notes and assumptions. Capitalized terms not otherwise defined in the accompanying Estimated Cash Flow and the notes and assumptions shall have the meaning ascribed to them in the Plan.

The objectives of the Plan Trust is to reconcile and liquidate certain Priority Claims of the Debtor, the liquidation of the Plan Trust Assets, the pursuit, settlement and/or resolution of the FedEx Litigation, and the Distribution of the Cash proceeds therefrom to certain of the Creditors of the Debtor and the Beneficiaries of the Plan Trust.

The accompanying Estimated Cash Flow was prepared assuming that after the transaction with Southwest closes, substantially all of the assets of the Debtor have been disposed of except for the assets being transferred to the Plan Trust. To the extent assets of the Debtor are not disposed of by the Effective Date, as contemplated, such assets will be transferred to the Plan Trust and cash at the Effective Date will be less. Conversely, to the extent assets intended to be transferred to the Plan Trust are disposed of prior to the Effective Date, cash will be greater at the Effective Date.

The initial assets of the Plan Trust are estimated to include cash, certain remaining assets of the Debtor, including receivables, inventories, refunds, retainers and deposits. Total cash to be conveyed to the Plan Trust, aggregating \$10.1 million, represents the Plan Trust Operating Expense Reserve (\$4.0 million), the Priority Claim Fund (\$5.0 million), and the Professional Compensation Claim Fund (\$1.1 million).

- a. **Plan Trust Operating Reserve Fund.** The Plan Trust Operating Reserve represents \$4 million to be reserved out of the Plan Trust Assets and deposited into a segregated interest-bearing account in the name of the Plan Trust to be used to fund Plan Trust Operating Expenses and fees and expenses with respect to the FedEx Litigation.
- b. **Priority Claim Fund.** The Priority Claim Fund represents \$5 million to be reserved out of the Plan Trust Assets and deposited into a segregated interest-bearing account in the name of the Plan Trust to be used for payment and satisfaction of Administrative Claims, Priority Unsecured Non-Tax Claims, Priority Unsecured Tax Claims, Secured Tax Claims and Other Secured Claims, pursuant to the Plan.
- c. **Professional Compensation Claim Fund.** The Professional Compensation Claim Fund represents an amount of Cash estimated by the Debtor to be sufficient to satisfy Professional Compensation Claims accruing prior to the Effective Date and deposited into a segregated interest-bearing account in the name of the Plan Trust to be used for payment and satisfaction of Professional Compensation Claims pursuant to the Plan.

The initial liabilities of the Plan Trust include the liabilities associated with the above-noted funds and reserves and the liabilities to the Lenders.

2. Assumptions Used with Respect to Preparation of the Estimated Cash Flow.

The amounts used in the Estimated Cash Flow are estimates made by management of the Debtor, in good faith. Nevertheless, there can be no assurances that the actual outcomes will be consistent with the estimates made herein.

- a. **General.** It is contemplated that the Plan will be confirmed by early March 2009 and that the Plan Trust will commence operations shortly thereafter. Consequently, it is contemplated that the year 2009 will include operations of the Plan Trust for ten months. It is contemplated that the Plan Trust operations will be concluded by December 31, 2010.
- b. **Sources of cash.** Other than the sources of Cash described above, the other assets conveyed to the Plan Trust are estimated to be collected or otherwise turned into Cash and their net realizable values. FedEx Recoveries have been estimated as unknown. The amount FedEx Recoveries cannot be known with certainty at this time. Interest on idle cash balances is estimated to be earned at 1.5% per annum.
- c. **Uses of cash.** Other than the uses of Cash described above, the other costs of the Plan Trust relate to administering the operations of the Plan Trust, the review of, and if appropriate the objection to the allowance of Administrative Claims and other Priority Claims, the prosecution of the FedEx Litigation and finally the distribution of the net proceeds of the Plan Trust Assets to the Lenders, and certain amounts to the Unsecured Creditor Trust. It has been estimated that Plan Trustee fees shall be \$35,000 per month for the term of the Plan Trust. Professional fees and expenses are provided for the investigation and possible objection of Administrative Claims and other Priority Claims, in addition to prosecuting the FedEx Litigation.
- d. **Distributions.** In accordance with the Plan and the Plan Trust Agreement, the Unsecured Creditor Trust is entitled to receive (from the Plan Trust) 15% of Net FedEx Recoveries, half of which (7.5%) shall be distributed by the Unsecured Creditor Trust to the holders of Employee Claims and the other half of which shall be distributed to the holders of Allowed General Unsecured Claims. It is estimated that the trial with respect to the FedEx Litigation will take place by April 2010. The remaining Cash at the conclusion of Plan Trust operations shall be distributed to the Lenders. Interim distributions may be made in the event that the Plan Trustee, in his or her sole discretion, deems it to be prudent.