

EXHIBIT B

Retention Letter

IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re:) Chapter 11
ATA Holdings Corp., et al.,¹)
Debtors.) (Jointly Administered)

**DEBTORS' APPLICATION FOR AUTHORITY
TO EMPLOY AND RETAIN COMPASS ADVISERS, LLP TO PROVIDE
INVESTMENT BANKING SERVICES IN CONNECTION WITH A POSSIBLE SALE
RE CHICAGO EXPRESS AIRLINES, INC.**

The debtors and debtors-in-possession (the “Debtors”) in the above captioned Chapter 11 cases (the “Chapter 11 Cases”), respectfully submit this application (the “Application”) pursuant to 11 U.S.C. § 363 for authority to employ the investment banking firm of Compass Advisers, LLP (“Compass”) to assist the Debtors in the possible sale of Chicago Express Airlines, Inc. (“Chicago Express”). In support of its Application, Debtors state:

Background

1. On October 26, 2004 (the “Petition Date”), each of the Debtors filed with the United States Bankruptcy Court for the Southern District of Indiana, Indianapolis Division (the “Bankruptcy Court”), its respective voluntary petition for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. as amended (the “Bankruptcy Code”) commencing these Chapter 11 Cases. The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

¹ The Debtors are the following entities: ATA Holdings Corp. (04-19866), ATA Airlines, Inc. (04-19868), Ambassador Travel Club, Inc. (04-19869), ATA Leisure Corp. (04-19870), Amber Travel, Inc. (04-19871), American Trans Air Execujet, Inc. (04-19872), ATA Cargo, Inc. (04-19873), and Chicago Express Airlines, Inc. (04-19874).

2. No trustee or examiner has been appointed in these Chapter 11 Cases. On or about November 1, 2004, the United States Trustee appointed an Official Committee of Unsecured Creditors (the “Committee”) pursuant to §1102(a)(1) of the Bankruptcy Code. The Committee employed Akin Gump Strauss Hauer & Feld LLP and Greenebaum Doll & McDonald PLLC as counsel pursuant to orders of this Court.

Jurisdiction

3. This Court has jurisdiction to consider this Application pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper before this Court under 28 U.S.C. §§ 1408 and 1409.

4. The statutory basis for the relief requested herein is Section 363 of the Bankruptcy Code.

Relief Requested

5. By this Application, the Debtors, with the support of the Committee, seek to retain Compass to provide investment banking services in conjunction with a possible sale of assets of Chicago Express or possibly the stock of Chicago Express held by ATA Holdings Corp. and the terms of the engagement letter submitted as Exhibit A (the “Engagement Letter”).

Compass’ Qualifications

6. Compass is an international investment banking firm with substantial experience in the airline industry. Compass’ senior advisors include former airline executives Stuart I. Oran and Michael J. Conway. Mr. Oran, the former president and CEO of United Bizjet Holdings, also served United Airlines as its Executive Vice President – Corporate Affairs/General Counsel and Senior Vice President – International, was the former CEO of AVOLAR, and served as outside corporate counsel for the Airline Pilots Association. Mr.

Conway, the founder of National Airlines and co-founder and CEO of America West Airlines, also previously held senior positions with Continental Airlines.

7. Compass professionals have completed numerous “M&A” and financing transactions with airline companies such as Continental Airlines, Eastern Airlines, Pan American World Airways, US Airways, and World Airways. In addition, Compass professionals have served as advisors to Steinhardt Partners, Aero Mexico, Mexicana and Aero Litoral, as well as to several private equity firms and hedge funds on aviation and aerospace transactions including Spirit Airlines (acquisition), Hawaiian Airlines (potential acquisition), Midwest Airlines (potential investor), United Airlines (DIP), Omni International (potential acquisition), and Northwest Airlines (financing matters).

8. Compass is serving in these Chapter 11 cases as a financial advisor to the Committee. By virtue of services performed to date, Compass has acquired considerable knowledge regarding the operation of the Debtors, including Chicago Express. The Debtors and the Committee have determined that Compass is qualified to perform the services that are the subject of this Application. Because of circumstances that call for the speedy shutdown of the operations of Chicago Express any disposition of the assets or stock of Chicago Express must be explored on an expedited basis. The Debtors (with input from the Committee) explored the cost and relative timeliness of investment banking services that might be provided by other firms with regard to a possible sale of Chicago Express and determined that Compass would provide such services on a very competitive cost basis and would be able to meet the very tight timetable for exploring disposition of Chicago Express required by the circumstances.

9. Compass has agreed to perform the investment banking services subject to the terms of the Engagement Letter. Compass and its principals have agreed to subject

themselves to the jurisdiction and supervision of this Court in connection with their services under the Engagement Letter and this Application.

The Proposed Services; Compass' Responsibilities

10. Under the proposed Engagement Letter, Compass will undertake or do the following (as all described in greater detail in the Engagement Letter): (i) prepare a list of prospective strategic and financial acquirers; (ii) prepare a descriptive memorandum for circulation to prospective acquirers; (iii) establish a data room of additional information to be provided to potential acquirers; (iv) work with Debtors' counsel to prepare a confidentiality agreement to be signed by prospective acquirers; (v) work with Debtors' counsel to prepare a contract for purchase and sale; (vi) work with Debtors in determining avenues for enhancing the value of Chicago Express; (vii) contact potential acquirers and schedule visits with interested parties to Chicago Express; (viii) establish a deadline for submitting bids and work with interested parties in developing their proposed bids; (ix) review bids submitted; and (xi) after Court approval, work with the Debtors to consummate the sale of Chicago Express.

Terms of Retention

11. Pursuant to the terms of the proposed Engagement Letter and Court approval, Debtors have agreed to pay the following fees to Compass in exchange for Compass' services:

- a. A flat \$37,500 retainer (with \$25,000 payable upon approval by the Court and the remainder payable upon the earlier of the consummation of a Transaction or June 3, 2005) plus a Transaction Fee equal to 2.0% of the total consideration payable at a closing of a Transaction.
- b. Compass will be reimbursed for its reasonable out-of-pocket expenses in connection with all aspects of the engagement as such expenses are incurred. Expenses are capped at \$30,000 without the

prior written consent of Debtors for incurrence of additional reimbursable expenses.

12. The terms and conditions of the Engagement Letter were negotiated by Debtors and Compass at arms-length and in good faith.

13. Except as provided in paragraph 14 of this Application, to the best of Debtors' knowledge, the principals and employees of Compass (i) do not have any connection with Debtors, their creditors, or any other party in interest, or their respective attorneys or accountants, (ii) are "disinterested persons" under Section 101(14) of the Bankruptcy Code, and (iii) do not hold or represent an interest adverse to Debtors' estates.

14. Compass currently serves as the financial advisor to the Committee in these Chapter 11 Cases. The Debtors and the Committee agree that the Debtors' retention of Compass to assist the Debtors in a possible sale of Chicago Express will not create a conflict of interest. The Debtors' and the Committee's interests are in full alignment regarding a disposition of Chicago Express. It is in the interests of both the Debtors and the Committee that a possible sale of Chicago Express generate maximum value for Debtors' estates. The Debtors and the Committee are in agreement that the Debtors' employment of Compass is the best means for achieving maximum value for Chicago Express.

15. Compass has no agreement with any other entity to share any compensation received, nor will any be made, except as permitted under Section 504(b)(1) of the Bankruptcy Code.

16. Debtors believe the fees and compensation of Compass and the terms for payment set forth herein and in the Engagement Letter are fair and reasonable in light of industry practice, Compass' experience, and the scope of work to be performed pursuant to the Engagement Letter.

No Prior Request

17. No previous application for the relief sought herein has been made by Debtors to this or any other court.

Notice

18. By separate motion filed concurrently herewith, the Debtors ask this Court to notice this Application for hearing on February, 14, 2005.

WHEREFORE, Debtors respectfully request that the Court enter an order granting this Application and such further relief as is just and proper.

Respectfully Submitted,

BAKER & DANIELS

By: /s/ Terry E. Hall
Attorneys for the Debtors and Debtors-in-Possession

James M. Carr (#3128-49)
Terry E. Hall (#22041-49)
Stephen A. Claffey (#3233-98)
Melissa M. Hinds (#24230-49)
300 North Meridian Street, Suite 2700
Indianapolis, Indiana 46204
Telephone: (317) 237-0300
Facsimile: (317) 237-1000
jim.carr@bakerd.com
terry.hall@bakerd.com
steve.claffey@bakerd.com
melissa.hinds@bakerd.com

Wendy W. Ponader (#14633-49)
Ponader & Associates, LLP
5241 North Meridian Street
Indianapolis, Indiana 46208
Telephone: (317) 496-3072
Facsimile: (317) 257-5776
wponader@ponaderlaw.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the foregoing was served this 8th day of February, 2005, by expedited service (facsimile, e-mail, and/or hand or overnight delivery) on the Core Group and the 2002 List that are the subject of the foregoing.

/s/ Terry E. Hall

DRAFT

Dated as of February 4, 2005

Messrs. John G. Denison and Sean Frick
ATA Holdings Corp
7337 West Washington Street
Indianapolis, Indiana 46231

Gentlemen:

This letter agreement (the “Agreement”) confirms the engagement by ATA Holdings Corp. and their affiliated debtors and debtors-in-possession (collectively, the “Debtors”) pursuant to proceedings under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) pending before the United States Bankruptcy Court for the Southern District of Indiana (the “Bankruptcy Court”) of Compass Advisers, LLP (“Compass”), from the date hereof and on the terms and conditions set forth herein, to provide investment banking services to the Debtors with regarding the sale of assets, stock and/or business operations of Chicago Express Airlines (“Chicago Express”), a wholly-owned subsidiary of ATA Holdings Corp. The Debtors shall promptly seek Bankruptcy Court approval of this engagement, effective *nunc pro tunc* to February 4, 2005, pursuant to sections 327(a) and 328(a) of the Bankruptcy Code, and it is understood that Compass’ engagement is not effective until such approval is obtained.

1. Compass shall undertake to provide the Debtors with the following investment banking services which shall include, but not be limited to, the following:
 - (a) Become familiar, to the extent it deems appropriate and feasible, with the business, financial condition, historical financial results, future prospects and strategic objectives of Chicago Express;
 - (b) Review and analyze Chicago Express’ historical financial results and financial projections and, to the extent considered necessary, assist the Debtors and Chicago Express management update Chicago Express’ financial projections;
 - (c) Assist the Debtors in the development of a general strategy for accomplishing a Transaction (as defined below), taking into account such business and other considerations as the Debtors may specify;
 - (d) Assist the Debtors in the preparation of a memorandum describing the business, operations and financial condition of Chicago Express for distribution to potential parties to a Transaction selected by Compass, the Debtors and Chicago Express; it being specifically agreed that (i) such memorandum shall be based entirely upon information supplied by the Debtors, which information, including any other written or oral information supplied to Compass, the Debtors hereby warrants shall be, to the best knowledge and belief, complete and accurate in all material respects, (ii) the

Messrs. John G. Denison and Sean Frick
ATA Holdings Corp.
Dated as of February 4, 2005
Page 2

Debtors shall be solely responsible for the accuracy and completeness of such memorandum, and (iii) other than as contemplated by this Agreement, such memorandum shall not be used, reproduced, disseminated, quoted or referred to at any time, in any manner or for any purpose, except with the Debtors' and Compass' prior written consent which consent shall not be unreasonably withheld. Upon completion of the memorandum, Compass will commence marketing efforts with respect to a Transaction;

- (e) Assist the Debtors and Chicago Express in the identification and evaluation of potential parties to a Transaction and, on behalf of the Debtors, contact such parties as the Debtors and Chicago Express may designate;
 - (f) Advise and assist the Debtors in the course of its negotiations with prospective parties to a Transaction and their advisors, if any, and, if requested by the Debtors, participate directly in such negotiations and the consummation of a Transaction;
 - (g) Assist the Debtors negotiate a restructuring and/or refinancing of Chicago Express' outstanding indebtedness as part of a potential Transaction; and
 - (h) Render such other financial advisory and investment banking services as the Debtors and Compass may agree upon in connection with the foregoing.
2. For Compass' services hereunder, Compass shall be entitled to compensation comprised of the aggregate of the following and in accordance with Paragraph 3 below:
- (a) A cash retainer of \$37,500, of which (i) \$25,000 shall be paid immediately upon approval by the Bankruptcy Court of the engagement of Compass pursuant to the terms of the Agreement and (ii) \$12,500 to be paid upon the earlier of a consummation of a Transaction (as defined below), the confirmation of a plan of reorganization of the Debtors, or June 30, 2005.
 - (b) Upon the consummation of any Transaction (as defined below), Compass shall be entitled to a transaction fee ("Transaction Fee") equal to two percent (2%) of the total consideration (as applicable, the "Total Consideration") payable upon the closing of a Transaction subject to approval by the Bankruptcy Court.

For purposes of this paragraph 2(b), "Transaction" shall mean the consummation of any agreement or series of agreements, or any transaction or series of transactions (which agreements or transactions subsequently close within a reasonable time period thereafter, or a similar transaction closes thereafter with a competing bidder upon Bankruptcy Court approval), which in each case may include, but is not limited to, the following:

Messrs. John G. Denison and Sean Frick
ATA Holdings Corp.
Dated as of February 4, 2005
Page 3

- (i) any merger, consolidation, reorganization, recapitalization, business combination or other transaction pursuant to which Chicago Express, including assets owned by the Debtors and utilized in connection with the operations of Chicago Express, is acquired by, or combined with, any person, group of persons, partnership, corporation or other entity (including, without limitation, existing creditors, employees, affiliates, and/or shareholders) (collectively, a “Purchaser”);
- (ii) the acquisition, directly or indirectly, by a Purchaser (or by one or more persons acting together with a Purchaser pursuant to a written agreement or otherwise) in a single transaction or series of transactions, of (x) all or a substantial portion of the assets or operations of Chicago Express, including assets owned by the Debtors and utilized in connection with the operations of Chicago Express; or (y) all or a significant part of the outstanding or newly-issued shares of any Chicago Express capital stock (or any securities convertible into, or options, warrants or other rights to acquire such capital stock);
- (iii) the closing of any other sale, transfer or assumption of all or a substantial portion of all of the assets, liabilities or stock of Chicago Express, including assets owned by the Debtors and utilized in connection with the operations of Chicago Express; or
- (iv) the confirmation of a chapter 11 plan of reorganization or liquidation with respect to Chicago Express.

For purposes of Paragraph 2(b), the term “Total Consideration” shall mean the aggregate of the following amounts paid or payable, directly or indirectly, in one transaction or in a series or combination of transactions, to Chicago Express, the Debtors, or any of Chicago Express’ or the Debtors’ debt holders, creditors, lessors, claimants with respect to incentive contracts including covenants not to compete, claimants with respect to employment contracts or other benefit plans, or equity security holders and holders of equity derivatives including warrants or options: (i) cash, (ii) the fair market value (as determined on the date of payment) of all debt or equity securities; (iii) the fair market value of all other property or assets, and (iv) the principal amount of indebtedness of Chicago Express and/or the Debtors or any affiliated entity assumed in a Transaction.

For the purpose of calculating the consideration received, any equity securities received will be valued as follows: (x) if such securities are traded on a stock exchange, the securities will be valued at the weighted average last sale or closing price for the thirty (30) trading days following the closing of the Transaction; (y) if such securities are traded primarily in

Messrs. John G. Denison and Sean Frick
ATA Holdings Corp.
Dated as of February 4, 2005
Page 4

over-the-counter transactions, the securities will be valued at the mean of the closing bid and asked quotations on a similarly weighted average over a thirty (30) trading day period immediately following the closing of the Transaction; or (z) if such securities are not contemplated to be actively traded following the closing of the Transaction, Compass and the Debtors shall mutually agree on a fair valuation thereof for the purposes of calculating the Transaction Fee. Any debt securities received shall be valued at face value. If the parties are unable to agree on the value of any consideration received, such value shall be determined by the Bankruptcy Court.

If any of the Total Consideration is escrowed or contingent upon the future performance of the business operations (e.g., revenues or income) of Chicago Express or any successor entity, or the passage of time, or the occurrence of some future event, the portion of the Transaction Fee attributable to such escrowed or contingent Total Consideration shall be paid to Compass at such time or times as the escrowed amounts are released or contingent amounts are paid, issued or otherwise distributed, as may be applicable.

- (c) Reimbursement of reasonable out-of-pocket expenses incurred by Compass in connection with the rendering of services under this Agreement including, but not limited to, travel and lodging, communication charges, research, courier services, and duplicating charges. This Paragraph 2(c) contemplates the reimbursement to Compass of reasonable out-of-pocket expenses incurred by Compass in connection with motions filed in the Bankruptcy Court relating to Compass' retention hereunder and in making and defending interim and final fee applications. This Paragraph 2(c) further contemplates the reimbursement to Compass of legal fees and other costs incurred by Compass in connection with motions filed in the Bankruptcy Court relating to Compass' retention hereunder and, in addition, such legal fees and other costs as may be incurred in making and defending interim and final fee applications. Compass will not incur expenditures in excess of \$30,000 without the prior consent of the Debtors other than such reasonable legal fees and other costs as may be incurred in defending interim and final fee applications.

Notwithstanding Paragraphs 2(a) and 2 (b) above, Compass' compensation under Paragraphs 2(a) and 2 (b) shall not exceed the amount of the Total Consideration.

- 3. It is understood and agreed that Compass' employment is pursuant to sections 327(a) and 328(a) of the Bankruptcy Code and that the terms and conditions of employment are reasonable as of the date hereof, and that allowance of compensation to Compass different from that provided herein shall be appropriate only if these terms and conditions later prove to have been improvident in light of developments not capable of being anticipated at this time.

Messrs. John G. Denison and Sean Frick
ATA Holdings Corp.
Dated as of February 4, 2005
Page 5

Compass shall file applications for allowance of interim and final compensation and reimbursement of expenses with the Bankruptcy Court in accordance with the Bankruptcy Code and applicable rules or administrative practice of the Bankruptcy Court. Such applications shall demonstrate what services were rendered. In connection with the rendering of services under this Agreement, Compass shall not be obligated to maintain records of time spent working on this engagement.

4. The Debtors agree that Compass' compensation set forth herein and payments made pursuant to reimbursement provisions of this Agreement shall be entitled to priority as expenses of administration under sections 503(b)(1)(A) and 507(a)(1) of the Bankruptcy Code.
5. The Debtors and Compass understand and agree that the services covered by this Agreement are for investment banking services related to the sale or restructuring of Chicago Express only, and Compass' compensation derived herein does not overlap and is in addition to any compensation received for acting as Financial Advisor and Investment Banker to the Official Committee of Unsecured Creditors of ATA Holdings Corp. (the "Committee") as specified in Compass' retention application approved by the Bankruptcy Court on [insert date]. It is further understood that this engagement does not contemplate the rendering of a "fairness opinion". Further, the Debtors agree that Compass may report on the progress and results of the sale or reorganization of Chicago Express to the Committee and its representatives.
6. The Agreement shall commence as of the date hereof (subject to Bankruptcy Court approval as set forth above), and shall continue thereafter for a period of one year or until the consummation of a Transaction or the effective date of a plan of reorganization of Chicago Express; provided, however, that this Agreement may be terminated upon thirty (30) days prior written notice to that effect by the Debtors or Compass. In the event of Compass' termination, the amount of compensation to Compass shall be limited to the amount payable pursuant to Paragraphs 2(a), 2(b) and 2(c) above in respect of all full or partial periods prior to the effective date of such termination during which services were rendered by Compass. If the Debtors terminate the services of Compass, then for a period of eighteen (18) months following Compass' termination, Compass shall be entitled to the Transaction Fee only in the event that a Transaction is consummated within such eighteen (18) month period, unless the termination is made pursuant to paragraph 11 below. The awarding of the Transaction Fee shall be subject to Compass filing an application for allowance of such Transaction Fee with the Bankruptcy Court and the approval by the Bankruptcy Court.

Paragraphs, 7, 9 and 10 below shall survive any such termination under this Paragraph 6.

Messrs. John G. Denison and Sean Frick
ATA Holdings Corp.
Dated as of February 4, 2005
Page 6

7. All services provided by Compass are for the sole benefit of the Debtors and Chicago Express and, except to the extent legally required, no advice rendered by Compass to the Debtors or Chicago Express nor any communication from Compass in connection with the services performed by Compass pursuant to this Agreement, will be quoted or referred to orally or in writing by any party other than the Debtors in the exercise of its duties under the Bankruptcy Code without Compass' prior written consent (which shall not be unreasonably withheld).
8. The Debtors agrees that in rendering services hereunder, Compass will be relying upon, without independent verification, the accuracy and completeness of all information that the Debtors, Chicago Express and their respective representatives or employees furnishes to Compass and Compass will not be responsible in any respect for the accuracy or completeness thereof.
9. Compass has been retained under this Agreement as an independent contractor with no fiduciary or agency relationship to the Debtors or any other third party except as a provider of the services to be performed under this Agreement.
10. In the event that Compass becomes involved in any capacity in any action, proceeding, investigation or inquiry in connection with any matter referred to in this Agreement or arising out of the matters contemplated by this Agreement, the Debtors, will immediately reimburse Compass for its legal and other expenses (including the cost of any investigation and preparation) as they are incurred by Compass in connection therewith. The Debtors also agree to indemnify and defend Compass and hold it harmless against any losses, claims, damages or liabilities in connection with any matter referred to in this Agreement or arising out of the matters contemplated by this Agreement, unless such losses, claims, damages or liabilities arise solely out of the gross negligence, intentional misconduct or bad faith of Compass in performing the services which are the subject of this Agreement; provided, however, that Compass shall be entitled to indemnification so long as a final, unstayed, unappealable determination has not been made by a court of competent trial and/or appellate jurisdiction that Compass has committed any such acts of gross negligence or intentional misconduct. For purposes of this Paragraph 10, Compass shall include Compass, its partners, members, officers, directors, employees, agents, affiliates, subsidiaries and controlling persons and their partners, members, officers, directors, employees and agents. The foregoing agreement shall be in addition to any rights that any indemnified party may have at common law or otherwise. Compass's liability in connection with this Agreement shall be limited to the amount of fees and expenses paid or payable to Compass hereunder.
11. The Debtors have expressly sought Compass' engagement pursuant to this Agreement for the benefit of the services provided by Harvey L. Tepner and members of the restructuring group of Compass. In the event that the services of these professionals are no longer available at Compass, the Debtors expressly reserves its right to terminate Compass' engagement pursuant to this Agreement.

Messrs. John G. Denison and Sean Frick
ATA Holdings Corp.
Dated as of February 4, 2005
Page 7

12. Each party represents and warrants to the other that this Agreement has been duly authorized, executed and delivered to it and that the execution and delivery of this Agreement does not conflict with any other Agreement to which they are a party.
13. This Agreement may not be amended or modified except in writing and executed by the parties hereto which shall be subject to approval by the Bankruptcy Court.
14. This Agreement shall be governed by and construed in accordance with the bankruptcy laws of the United States and, where applicable, with the laws of the State of New York without regard to principles of conflicts of law, and the provisions hereof shall be binding on ATA and Compass and their respective successors and assigns.

If the foregoing correctly sets forth the understanding and agreement between the Debtors and Compass, please indicate your acceptance thereof by signing and dating this letter in the spaces provided below, whereupon it shall become a binding agreement, subject to Bankruptcy Court approval, between the parties hereto as of the date written below.

Very truly yours,

COMPASS ADVISERS, LLP

By: _____
Harvey L. Tepner
Partner

Accepted and agreed as of the date first written above:

ATA HOLDINGS CORP.

By: _____

Name: _____

Title: _____