

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF INDIANA (INDIANAPOLIS)**

**In re:**

**ATA HOLDINGS CORP., et al.<sup>1</sup>**

**Debtors.**

**Chapter 11**

**Case No. 04-19866-BHL-11**

**(Jointly Administered)**

**FIRST AND FINAL APPLICATION OF COMPASS ADVISERS, LLP  
FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND  
REIMBURSEMENT OF EXPENSES AS INVESTMENT BANKER AND FINANCIAL  
ADVISOR TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
OF ATA HOLDINGS CORP., ET AL. FOR THE PERIOD FROM  
NOVEMBER 4, 2004 THROUGH FEBRUARY 28, 2006 AND FOR OTHER RELIEF**

<b>Name of Applicant:</b>	Compass Advisers, LLP
<b>Authorized to Provide Professional Services to:</b>	Official Committee of Unsecured Creditors Creditors of ATA Holdings Corp., <u>et al.</u>
<b>Date of Retention:</b>	February 8, 2005 ( <i>nunc pro tunc</i> to November 4, 2004)
<b>Period For Which Compensation and Reimbursement is Sought:</b>	November 4, 2004 through February 28, 2006
<b>Amount of Compensation Requested:</b>	\$3,000,000.00
<b>Amount of Expense Reimbursement Requested:</b>	\$120,034.72 <sup>2</sup>

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<sup>1</sup> 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).

<sup>2</sup> Represents 100% of the expenses incurred during the Application Period. The expenses not yet paid total \$5,986.93. In addition, Compass expects to file a supplement to this Final Fee Application to request reimbursement for the fees and expenses of Compass' outside counsel that assisted Compass in (i) preparing this Final Fee Application, (ii) responding to any objections relating to this Final Fee Application, and (iii) any other matter relating to this Final Fee Application requiring legal assistance, along with expenses incurred by Compass relating to the submission of this Final Fee Application including attending any fee hearing.

This is an: \_\_\_\_\_ interim       final application

This is a final application for compensation and reimbursement of expenses. The total time expended for fee application preparation and the preparation of monthly invoices during the Application Period is approximately 293.4 hours. Corresponding compensation cannot be approximated, as Compass was retained on a flat fee and not an hourly basis. The majority of the fee application preparation for this document occurred after the Effective Date.

If this is not the first application filed, disclose the following for each prior application:

<b>Document/ Date Filed/ [Dkt. No./ Period Covered</b>	<b>Total Fees &amp; Expenses Requested</b>	<b>Cert of No Obj. Date Filed [Dkt. No.]</b>	<b>Fees Paid (80%)</b>	<b>Fees Held Back (20%)</b>	<b>Holdbacks Paid (20%)</b>	<b>Expenses Paid (100%)</b>	<b>Amount Owed to Applicant</b>
Monthly Invoice #1 Date Billed: 03/14/05 Period: 11/04/04-01/31/05	\$412,707.51	n/a	\$300,000.00	\$75,000.00	\$0.00	\$37,707.51	\$75,000.00
Monthly Invoice #2 Date Billed: 04/12/05 Period: 02/01/05-02/28/05	\$139,085.04	n/a	\$100,000.00	\$25,000.00	\$0.00	\$14,085.04	\$25,000.00
Monthly Invoice #3 Date Billed: 05/04/05 Period: 03/01/05-03/31/05	\$133,237.16	n/a	\$100,000.00	\$25,000.00	\$0.00	\$8,237.16	\$25,000.00
Monthly Invoice #4 Date Billed: 06/17/05 Period: 04/01/05-04/30/05	\$131,367.12	n/a	\$100,000.00	\$25,000.00	\$0.00	\$6,367.12	\$25,000.00
Monthly Invoice #5 Date Billed: 07/21/05 Period: 05/01/05-05/31/05	\$129,978.74	n/a	\$100,000.00	\$25,000.00	\$0.00	\$4,978.74	\$25,000.00
Monthly Invoice #6 Date Billed: 09/08/05 Period: 06/01/05-06/30/05	\$128,140.69	n/a	\$100,000.00	\$25,000.00	\$0.00	\$3,140.69	\$25,000.00
Monthly Invoice #7 Date Billed: 09/09/05 Period: 07/01/05-07/31/05	\$134,715.60	n/a	\$100,000.00	\$25,000.00	\$0.00	\$9,715.60	\$25,000.00
Monthly Invoice #8 Date Billed: 09/14/05 Period: 08/01/05-08/31/05	\$128,502.41	n/a	\$100,000.00	\$25,000.00	\$0.00	\$3,502.41	\$25,000.00
Monthly Invoice #9 Date Billed: 12/06/05 Period: 09/01/05-09/30/05	\$129,409.12	n/a	\$100,000.00	\$25,000.00	\$0.00	\$4,409.12	\$25,000.00
Monthly Invoice #10 Date Billed: 1/26/06 Period: 10/01/05-10/31/05	\$126,965.66	n/a	\$100,000.00	\$25,000.00	\$0.00	\$1,965.66	\$25,000.00
Monthly Invoice #11 Date Billed: 2/1/06 Period: 11/01/05-11/30/05	\$136,333.22	n/a	\$100,000.00	\$25,000.00	\$0.00	\$11,333.22	\$25,000.00
Monthly Invoice #12 Date Billed: 3/6/06 Period: 12/01/05-12/31/05	\$130,019.79	n/a	\$100,000.00	\$25,000.00	\$0.00	\$5,109.79	\$24,910.00
Monthly Invoice #13 Date Billed: 4/6/06 Period: 01/01/06-01/31/06	\$128,396.53	n/a	\$100,000.00	\$25,000.00	\$0.00	\$3,306.53	\$25,090.00
Monthly Invoice #14 Date Billed: 4/7/06 Period: 02/01/06-02/28/06	\$125,189.20	n/a	\$100,000.00	\$25,000.00	\$0.00	\$189.20	\$25,000.00
<b>TOTAL:</b>	<b>\$2,114,047.79</b>		<b>\$1,600,000.00</b>	<b>\$400,000.00</b>	<b>\$ 0.00</b>	<b>\$114,047.79</b>	<b>\$400,000.00</b>

**ATTACHMENT 1  
TO THE FIRST AND FINAL FEE APPLICATION  
OF COMPASS ADVISERS, LLP**

**TIME SUMMARY  
Period of November 4, 2004 through February 28, 2006  
(Compensation based on Flat Fee)**

<b>Name of Professional Person</b>	<b>Position (Years with Compass)</b>	<b>Total Hours</b>
Harvey L. Tepner	Partner (Three years)	1,701.9
Michael J. Conway	Senior Advisor (One year)	991.8
Stuart I. Oran	Senior Advisor (One year)	1,050.0
Bruce A. Kaufman	Principal (Three years)	1,663.6
Phillip Siegel	Principal (Three years)	152.9
Eileen T. Wiseman	Principal (Three years)	200.0
Michael Fine	Associate (Two years)	724.1
Eric J. Kim	Associate (Less than one year)	4.0
David Renke	Associate (One year)	0.7
William E. Sherman	Associate (Two years)	4.0
Ariel B. Treves	Associate (Less than one year)	530.0
Derek B. Cherney	Financial Analyst (Less than one year)	25.3
Matthew R. Ciardiello	Financial Analyst (One year)	41.9
Amy Dildine	Financial Analyst (One year)	57.2

<b>Name of Professional Person</b>	<b>Position (Years with Compass)</b>	<b>Total Hours</b>
Cory J. Epstein	Financial Analyst (Less than one year)	382.9
David Imbert	Financial Analyst (Less than one year)	258.6
Cliff V. Nguyen	Financial Analyst (Less than one year)	23.0
Aaron Wu	Financial Analyst (One year)	15.3
<b>Total Hours for Application Period</b>		<b>7,827.2</b>

Please note that Compass conducts a detailed review of time records on a quarterly basis and may find hours that were not previously submitted or were misclassified.

Note that, except as indicated below, professionals of Compass Advisers, LLP are not licensed to practice law, although several hold various licenses from the National Association of Securities Dealers.

Phillip Siegel was licensed to practice law in the State of New York but has been inactive for a number of years.

Stuart I. Oran was licensed to practice law in the State of New York and the District of Columbia but has been inactive for a number of years.

Allan M. Chapin, a Partner of Compass Advisers, is licensed to practice law in New York State but did not provide services to the Committee.

<b>Total Hours for the Application Period</b>	<b>Total Monthly Fees for the Application Period</b>	<b>Blended Hourly Rate</b>
7,827.2	\$2,000,000.00	\$ 255.52

**ATTACHMENT 2  
TO THE FIRST AND FINAL FEE APPLICATION  
OF COMPASS ADVISERS, LLP**

**EXPENSE SUMMARY  
Period of November 4, 2004 through February 28, 2006**

	<b>Amount</b>
Travel (Airfare, Train, Taxi, Meals)	\$ 37,004.68 (a)
Hotel & Accommodations	25,159.05
Meals – Local, Overtime & Meetings	14,280.28
Taxis, Cars, Gas & Tolls	18,142.33
Faxes	52.00 (b)
Photocopies, Printing & Supplies	4,518.97 (c)
Postage, Overnight Couriers & Messengers	911.46
Research Materials	6,144.23
Telephone & Long Distance	13,821.72 (d)
<b>Total</b>	<b><u>120,034.72</u></b>

- (a) Airfare and train charges are billed as incurred at economy rates; no first class or luxury travel is included.
- (b) Compass does not charge for Incoming facsimile transmittals. Outgoing facsimile transmittals are billed at \$1.00 per page.
- (c) Photocopy charges are \$0.10 per page.
- (d) See footnote (d) in Exhibit E.

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF INDIANA (INDIANAPOLIS)**

**In re:**

**ATA HOLDINGS CORP., et al.<sup>1</sup>**

**Debtors.**

**Chapter 11**

**Case No. 04-19866-BHL-11**

**(Jointly Administered)**

**FIRST AND FINAL APPLICATION OF COMPASS ADVISERS, LLP  
FOR ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND  
REIMBURSEMENT OF EXPENSES AS FINANCIAL ADVISOR AND INVESTMENT  
BANKER TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
OF ATA HOLDINGS CORP., ET AL. FOR THE PERIOD FROM  
NOVEMBER 4, 2004 THROUGH FEBRUARY 28, 2006 AND FOR OTHER RELIEF**

TO: THE HONORABLE BASIL H. LORCH,  
UNITED STATES BANKRUPTCY JUDGE

This First and Final Application for an Allowance of Compensation and Reimbursement of Expenses (“Final Fee Application”) is filed by Compass Advisers, LLP (“Compass”) pursuant to 11 U.S.C. §§ 330 and 331 and Rule 2016 of the Federal Rules of Bankruptcy Procedure, wherein Compass respectfully moves this Honorable Court for an order awarding it compensation in the amount of \$3,000,000.00 for services rendered during the period November 4, 2004 through and including February 28, 2006 (the “Application Period”), together with reimbursement for actual and necessary costs expended in rendering these services in the amount of \$120,034.72. By this Final Fee Application, Compass hereby requests approval of a final payment of compensation for the Application Period in the aggregate amount of \$1,405,986.93. This amount consists of \$400,000 of fees held back from Compass during the

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<sup>1</sup> 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).

Application Period and not yet paid<sup>2</sup>, plus an Additional Services Fee (as defined in paragraph 28 below) of \$1,000,000.00, and \$5,986.93 for out-of-pocket expenses incurred by Compass in connection with the rendering of services to the Official Committee of Unsecured Creditors (the “Committee”) during the Application Period but not yet paid.<sup>3</sup> Compass expects to file a supplement to this Final Fee Application to request reimbursement for the fees and expenses of Compass’ outside counsel that assisted Compass in (i) preparing this Final Fee Application, (ii) responding to any objections relating to this Final Fee Application, and (iii) any other matter relating to this Final Fee Application requiring legal assistance, along with expenses incurred by Compass relating to the submission of this Final Fee Application including attending any fee hearing.

Compass has received payment of \$1,600,000.00 of fees for services rendered during the Application Period (80% of the total \$2,000,000.00 fees requested during the Application Period). In addition, Compass has received reimbursement of \$114,047.79 for out-of-pocket expenses incurred in connection with the rendering of services to the Committee during the Application Period (100% of out-of-pocket expenses invoiced to date for services provided during the Application Period). In support of its Final Fee Application, Compass respectfully represents as follows:

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<sup>2</sup> Compass has submitted monthly invoices for each month of the Application Period. No answers, objections or other responsive pleadings were filed with respect to these monthly invoices, and the deadlines for such responses have passed. Compass was paid 80% of the fees plus 100% of the expenses requested in each of the monthly invoices. As such, Compass does not include an additional request for such payment in this fee application but, instead, requests payment of the balance of 20% of the fees held back from the monthly invoices plus an Additional Services Fee, as described above. Additional expenses during the Application Period not previously included in the invoices for services rendered through February 28, 2006 are also respectfully requested.

<sup>3</sup> Travel expenses include airfare and train charges billed at economy rates; no first class or luxury travel is included. The requested payment for reimbursement of expenses does not include legal fees and expenses related to the retention of outside counsel who assisted with the preparation of this Final Fee Application and in responding to any objections to fee applications submitted by Compass. Actual costs of such legal fees and expenses will be submitted in a short supplement to this Final Fee Application.

## **BACKGROUND**

1. On October 26, 2004 (the “Petition Date”), ATA Holdings Corp. and certain of its wholly-owned subsidiaries, (collectively, the “Debtors”) filed separate voluntary petitions in the United States Bankruptcy Court for the Southern District Of Indiana (Indianapolis) (the “Court”) under chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”).

2. As of the Petition Date, the Debtors operated a publicly-traded air transportation company (formerly American Trans Air) based in Indianapolis, Indiana with revenues and operating losses for the twelve months ended September 30, 2004 of \$1.5 billion and \$58.4 million, respectively. The Debtors’ business consisted of a scheduled passenger service segment operated principally out of a “hub” at Midway Airport in Chicago, Illinois (in fact, the Debtors were the second largest carrier operating at Midway), a military charter business transporting troops for the United States government, and a third segment transporting passengers between the Western U.S. mainland and Hawaii. At the Petition Date, J. George Mikelsons, the founder and chief executive officer of the Debtors, owned approximately 70% of its common equity.

3. On October 29, 2004 [Dkt. 217], the Court entered an order providing for the joint administration of the Debtors’ bankruptcy cases (the “Cases”).

4. From the Petition Date, the Debtors continued in the possession of their respective properties and the management of their respective businesses as debtors-in-possession (“DIP”) pursuant to §§ 1107 and 1108 of the Bankruptcy Code until February 28, 2006 (the “Effective Date”), when the First Amended Joint Chapter 11 Plan for Reorganizing Debtors, as further immaterially Modified (the “POR”) became effective.



5. On November 1, 2004 [Dkt. 224], the United States Trustee for the Southern District of Indiana (Indianapolis), (the “UST”), appointed the Committee for the Debtors pursuant to section 1102 of the Bankruptcy Code. The Committee was originally comprised of the following members: Wells Fargo Bank, John Hancock Funds, Loeb Partners, Stanfield Capital Partners, Goodrich Corporation, Flying Food Group, Airport Terminal Services, Association of Flight Attendants (“AFA”), and Air Line Pilots Association International (“ALPA”). During the Application Period, Goodrich Corporation, Stanfield Capital Partners, and Loeb Partners resigned from the Committee. In addition, the City of Chicago and Sankaty Advisors, LLC were *ex officio* members of the Committee, although Sankaty Advisors resigned as an *ex officio* member during the Application Period.

6. On December 21, 2004, this Court approved the sale of certain of the Debtors’ Midway Airport assets to Southwest Airlines Co. (“Southwest”) along with a code share agreement and DIP financing, plus an agreement to purchase 27.5% of the equity of the reorganized Debtors (the “Southwest Transactions”).

7. On March 8, 2005 [Dkt. 1657], the UST submitted a Motion to this Court supporting the appointment of Kenneth J. Malek as Case Examiner regarding the Debtors’ subsidiary, Chicago Express Airlines, Inc. (“CEA”). The Motion was Amended [Dkt. 1658] and Approved [Dkt. 1662] by this Court that same day.

8. On June 16, 2005 [Dkt. 2400], the Court approved the transfer and assignment of CEA and certain of its assets (the “Chicago Express Sale”) to CSC Investment Group Inc. (“CSC”) in accordance with an Asset Purchase Agreement dated June 15, 2005 (the “CEA Asset Purchase Agreement”). The Sale closed on June 21, 2005 (the “Chicago Express Sale Closing Date”) at which time the rights, title and interest (including common law rights) to

the property of CEA was assigned to CSC according to the terms and conditions of the CEA Asset Purchase Agreement.

9. On January 31, 2006 [Dkt. 3657], the Court confirmed the POR and the POR became effective as of February 28, 2006.

10. Pursuant to Section 14.3.a of the POR, with respect to the Reorganizing Debtors, the Committee dissolved on the Effective Date except for the limited purposes of filing, defending, and/or objecting to applications for Professional Claims (as defined in the POR).

11. When Compass was engaged to advise the Committee, the Debtors were running out of cash and, absent some significant transaction, were under the significant possibility of suspending their operations and shutting down within a short period of time following the Petition Date. The Debtors' business was suffering from the consequences of having expanded their fleet with high cost aircraft, maintaining an expensive and expansive infrastructure for the size and scope of their operations, and competing in an industry with excess capacity, brutal competition and increasing costs, fuel costs in particular. Moreover, aside from a quick sale of valuable assets, the Debtors were at a loss as to how to salvage their company.

12. Absent Compass' role and the role of the Committee, there likely would have been no recovery for unsecured creditors. Compass, on behalf of the Committee, was instrumental in proposing, acting upon and driving to fruition many of the key events that created value, preserved value or prevented the dissipation of value in these Cases.

13. It was Compass that:

- a. Urged that alternatives to the proposed sale of the Debtors' Midway Airport operations to AirTran Airways, Inc. ("AirTran") be aggressively pursued, as the proposed sale to AirTran would have essentially given away the Debtors' most valuable assets for

little, if any, net consideration, leaving the Debtors with a significantly diminished scheduled service business based out of Indianapolis and with too many remaining aircraft and financial obligations.

- b. Sought out other strategic alternatives and engaged in discussions with a substantial number of other potential bidders for all or parts of the Debtors' assets including the Midway Airport operations. Such discussions included numerous conversations and meetings with Southwest, America West Airlines, United Airlines, American Airlines, as well as several other legacy airlines and low cost carriers, a number of private equity firms, and other potential sources of capital to finance the operations of the Debtors. As part of its efforts, Compass also worked with prospective bidders to broaden the scope of potential consideration to include future support and marketing cooperation, and some form of DIP and/or post-reorganization financing. In particular, Compass sought to actively keep alive the interest of multiple bidders in order to assure an active and competitive auction process.
- c. Worked the auction process with Southwest, AirTran and America West Airlines to help drive each toward higher and better bids, resulting in a transaction between the Debtors and Southwest that was substantially enhanced from the initial proposal made by Southwest. Among the differences between the Southwest bid and the "stalking horse" AirTran proposal were (i) a DIP financing,

- (ii) an equity investment in the reorganized Debtors, (iii) the continued operation by the Debtors of scheduled service from Midway Airport, (iv) the “code-sharing” between the Debtors and Southwest, and (v) the prospect of a frequent flyer program connection, all of which added substantial value to the Debtors’ estates and with respect to which Compass played a significant role.
- d. Successfully worked in conjunction with the management of the Debtors to help reshape the scope of the Debtors’ operations, its route network and the size and character of their fleet of aircraft.
  - e. Assisted the Debtors in sourcing, and seeking to finance, aircraft required for their new business model.
  - f. Provided several dozen concrete proposals to the Debtors for significantly reducing costs and enhancing operations. Many of these proposals were adopted by the Debtors, and Compass estimates that such savings will generate in excess of \$100 million of cost savings over the ensuing five years, arguably constituting all of the equity value inherent in the Debtors’ enterprise value.
  - g. Provided numerous concrete proposals to the Debtors in connection with the raising of incremental liquidity necessary for the continuation of the Debtors’ business.
  - h. Played an instrumental role in recruiting the Debtors’ new CEO, John Denison, and was active in recruiting the new COO, Subodh Karnik.

- i. Assisted Akin Gump in evaluating the collateral supporting the Air Transportation Stabilization Board's (the "ATSB") secured loans to the Debtors and successfully negotiating a reduction in the secured amount of such loans.
- j. Engaged in a broad-based solicitation of interest from existing unsecured creditors and private equity firms, hedge funds and strategic investors designed to provide the Debtors with capital sufficient to exit chapter 11 and prosper following such exit. Such solicitation included numerous conversations with MatlinPatterson, the private equity firm that ultimately provided new equity financing that enabled the Debtors to craft a successful plan of reorganization.
- k. Negotiated an increase in the amount of equity available to unsecured creditors via an additional allocation of new shares and options to acquire additional shares in the reorganized Debtors.
- l. Negotiated extensive investment participation rights for unsecured creditors to acquire shares in Reorganized ATA on the same basis as MatlinPatterson, the majority equity sponsor of the POR.
- m. Negotiated extensive minority protections designed to protect the interests of non-MatlinPatterson investors in the equity of the reorganized Debtors.
- n. Actively worked with the larger unsecured creditor group to ensure their participation in acquiring shares of the reorganized Debtors thereby ensuring that (i) the Additional Warrants (as described in

the POR) would be distributed to unsecured creditors and (ii) creditors participating in the rights offering and acquiring shares in Reorganized ATA would benefit from the substantial discount from full value inherent in the \$10.00 per share subscription price for the new shares.<sup>4</sup> As a result, Compass was directly responsible for raising at least \$25 million of the new equity capital for Reorganized ATA.

14. Compass was the proponent of, and/or had a major role in implementing, many of the elements critical to confirming the Debtors' successful POR. Accordingly, Compass believes its work was critical in supporting the Committee's objectives for maximizing recoveries to unsecured creditors and effectuating the POR to its successful confirmation. Compass also believes that, had the Debtors been more aggressive in adopting the several dozen concrete proposals for cost reductions and operational enhancements proposed by Compass, the Debtors would have required less external capital and creditor recoveries would have been substantially greater.

#### **RETENTION OF COMPASS ADVISERS, LLP**

15. On November 4, 2004, the Committee selected Compass as its investment banker and financial advisor.

16. By application to this Court on December 23, 2004 [Dkt. 941], the Committee filed a motion to engage Compass as its investment banker and financial advisor *nunc pro tunc* to November 4, 2004 in accordance with §§ 327, 328, and 1103 of the Bankruptcy

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<sup>4</sup> As noted in the Disclosure Statement, Compass valued the enterprise value of the reorganized Debtors' business at a value substantially higher than indicated in the Disclosure Statement. Compass' valuation indicated that a subscription price of \$10.00 per share for new shares of Reorganized ATA represented a discount to the full equity value. As validation of this view, the unsecured creditors over-subscribed for the available shares by a ratio of approximately 5-to-1. On a fully diluted basis, unsecured creditors own approximately 32% of the equity of the reorganized Debtors.

Code. No answer, objection or other responsive pleading to the Motion was filed with this Court.

17. By order dated February 8, 2005 [Dkt. 1376] (the “Retention Order”, amended February 11, 2005 [Dkt. 1395] to include attachments), Compass’ retention was approved by the Court, a copy of which is annexed hereto as Exhibit A. The Retention Order authorized Compass to be compensated in accordance with the terms of an engagement letter between Compass and the Committee dated as of November 4, 2004 (the “Retention Letter”), and to be reimbursed for actual and necessary out-of-pocket expenses incurred by Compass in connection with the professional services provided. The Retention Letter is annexed hereto as Exhibit B.

18. The Retention Letter, as approved by the Retention Order, provided that Compass would receive a financial advisory fee of \$125,000.00 for the period November 4, 2004 through November 30, 2004, financial advisory fees of \$125,000.00 per full or partial calendar month beginning on December 1, 2004, pro-rated fees for the last month during which Compass provides services to the Committee, and certain Incentive Fees as defined in the Retention Letter, all subject to interim and final application to, and approval by the Court.

19. Compass and its professionals assigned to this engagement have extensive experience and expertise in bankruptcy and reorganization proceedings, particularly with respect to advising committees of creditors. For example, Compass and/or its professionals have served as investment banker and financial advisor to creditors and/or committee of creditors in the following chapter 11 cases: Barney’s, Inc., Diamond Brands Operating Corp., Fleming Companies, Indesco International, Inc., LTV Corporation, Memorex Telex Corporation, National Gypsum Corporation, Polymer Group, Inc., RSL COM USA, Inc., Spinnaker Industries, Inc., Teleglobe Communications Corporation, and Trans World Airlines, Inc. Compass professionals

have also represented debtors in chapter 11 reorganizations including complex cases such as Aerovox Incorporated, Cellular Information Systems, Inc., Homemaker Industries, Inc., and U.S. Home Corporation.

20. Compass' senior advisors include former airline executives Stuart I. Oran and Michael J. Conway. Mr. Oran previously was Executive Vice President - Corporate Affairs/General Counsel and Senior Vice President – International of United Airlines, and CEO of AVOLAR, a United Airlines subsidiary. He also served as outside counsel for the Airline Pilots Association. Mr. Conway, the founder of National Airlines and co-founder and CEO of America West Airlines (the only post-deregulation U.S. carrier to achieve major airline status), also previously held senior positions with Continental Airlines.

21. Compass professionals have completed numerous M&A and financing transactions with such notable companies 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),

22. Omni International (potential acquisition), and Northwest Airlines (financing matters).

23. Subsequent to the time of the filing of the Retention Letter as approved by the Retention Order, Mr. Conway has accepted a position as President and CEO of Air Jamaica, a commercial airline based in Kingston, Jamaica. As stated in Compass' Supplemental Affidavit dated November 1, 2005 [Dkt. 3141], Compass believes that Mr. Conway's new position did not impact his ability to assist Compass in advising the Committee in these Cases.



24. The Compass professionals principally responsible for advising the Committee in these Cases were Harvey L. Tepner, Partner, and Bruce A. Kaufman, Principal. Compass drew upon the knowledge and skills of other firm members as was required.

### **REQUEST FOR COMPENSATION**

25. In accordance with the terms of the Order Granting Motion for Authority Approving (a) Procedures for Billings by and Payments to Professionals Retained in This Case for Fees and Expenses Incurred and (b) Approve Procedures and Deferral of Draw Down of Retainer Paid to Professionals Retained in this Case Until Requested by Debtors dated December 10, 2004 [Dkt. 713] (the “Administrative Fee Order”), professionals employed in these Cases (the “Professionals,” as defined in the Administrative Fee Order) were authorized to bill the Debtors on the Professional’s customary billing cycle, provided that copies of such bills were provided concurrently to (i) the Debtors, (ii) Debtors’ counsel, (iii) counsel to the Committee along with any other committee appointed pursuant to § 1102 of the Bankruptcy Code and (iv) the UST (collectively, the “Billing Notice Parties,” as defined in the Administrative Fee Order). The Billing Notice Parties had ten (10) days from receipt of the billing statement to present objections by Notice to the Debtors and other Billing Notice Parties. If no objection or response to the billing statement is made or otherwise resolved, the Debtors were to promptly pay 80% of the fees and 100% of the expenses requested in the billing statement by the Professional, with the remaining 20% of the Professional’s fees to be retained by the Debtors until such time that the Court entered a formal order approving the full amount of the Professional’s fees. Furthermore, Professionals were required to file periodic interim fee applications seeking Court approval of the fees and expenses incurred for specific time periods.

26. Compass distributed to the Billing Notice Parties monthly invoices for interim compensation and reimbursement of expenses incurred during the period of November 4, 2004 through and including February 28, 2006, requesting payment of interim allowances for an ultimate total \$1,600,000.00 of fees for services rendered and reimbursement of \$114,047.79 of out-of-pocket expenses. The Debtors have paid Compass \$1,600,000.00 in fees and \$114,047.79 in expenses, representing all of the relief (80% of the fees and 100% of the expenses) previously requested pursuant to the various monthly invoices. No prior quarterly fee applications have been filed by Compass.

27. For the Application Period, Compass now files its Final Fee Application requesting approval of compensation in the amount of \$3,000,000.00 plus reimbursement of \$120,034.72 for out-of-pocket expenses. The \$3,000,000.00 is comprised of \$2,000,000.00<sup>5</sup> of monthly financial advisory fees (of which \$400,000.00 has been held back during the Application Period) plus an Additional Services Fee of \$1,000,000.00 for the Additional Services (defined below) rendered by Compass on behalf of the Committee during the Application Period. These amounts represent all of the fees and expenses incurred through the Application Period, of which \$1,405,986.93 (including out-of-pocket expenses in the amount of \$5,986.93) have not yet been previously submitted nor paid.

28. Compass hereby requests an Additional Services Fee of \$1,000,000.00 to reflect the additional services rendered by Compass on behalf of the Committee and that were of benefit not only to unsecured creditors, but to the Debtors' estates. These services (the

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<sup>5</sup> Compass is also entitled to an Incentive Fee of approximately \$320,000.00 based on the Aggregate Consideration distributed to unsecured creditors comprising: (i) distributed common equity and warrants, (ii) convenience class recoveries, and (iii) the value of the right to subscribe for new shares of Reorganized ATA. However, according to the Compass Retention Letter, an Incentive Fee is earned only to the extent that it is greater than 50% of the monthly advisory fees paid or payable to Compass beginning July 2005. Accordingly, under the terms of the Retention Letter, Compass does not earn the Incentive Fee.

“Additional Services”), more fully described in the Summary of Services Rendered section below, include:

- a. Compass negotiated a substantial part of the economic terms of the Southwest Transactions with Southwest, and used the auction process to leverage the negotiating position of the Committee and the Debtors to the benefit of the Debtors’ estates and unsecured creditors. The Southwest Transactions were valued at more than \$100 million. This rendering of merger and acquisition services is an additional service in accordance with Paragraph 5 of the Retention Letter.
- b. Compass essentially recruited the Debtors’ new CEO, John Denison. Despite being turned down on several occasions by Mr. Denison, Compass continued to coax Mr. Denison to reconsider and accept an initial appointment as the Chief Restructuring Officer (“CRO”) of the Debtors, which led to his eventual position as CEO. The leadership provided by Mr. Denison was a critical factor enabling the Debtors to reorganize.
- c. Compass spent an inordinate amount of time with the Debtors’ management, assisting them in developing some of the cost saving initiatives and operational improvements that the Debtors adopted including outsourcing maintenance and a sale and leaseback of rotables and spare parts inventory.

- d. Compass assisted the Debtors in seeking to obtain new financing for aircraft and new aircraft.
- e. Even prior to the Debtors' retention of its own investment banking firm, Compass had initiated multiple of discussions with unsecured creditors and third party financing sources with respect to raising financing for a POR. Back as far as March 2005, Compass had already engaged in a series of discussions with MatlinPatterson to solicit their interest in financing a POR for the Debtors.
- f. Compass had successfully negotiated for unsecured creditors to participate in the POR financing, and at least \$25 million in POR financing was raised from unsecured creditors. Compass was instrumental in introducing these participating creditors to the Debtors and the Debtors' investment banker, and (i) ensured their right to participate and (ii) arranged for sufficient information and access to the Debtors' management to put them on more of an equal footing with MatlinPatterson so that they would have adequate information to evaluate the investment opportunity. At a 4% fee, such as is being paid to Jefferies, Compass would have earned a fee of \$1,000,000.

29. During the Application Period, when it was highly uncertain whether the Debtors could formulate a business plan around which a new financing could materialize, it was indeterminate whether there would be any recovery to unsecured creditors. Accordingly, even though Compass was undertaking the performance of Additional Services not covered by (or specifically authorized) by the Retention Letter, Compass believed that these services were

essential to the creditors' recovery, and that it was improvident at that time and until the very end of the Cases, to seek an amended retention providing for additional compensation for the services it was performing. However, as indicated in this Final Fee Application, Compass did perform the Additional Services for which it is seeking an Additional Services Fee of \$1,000,000.

30. As indicated in the summary sheets preceding this Final Fee Application, Compass' implied blended hourly rate is \$256. This implied blended rate excludes any amount for the Additional Services Fee. Compass' implied blended hourly rate is \$383 when the Additional Services Fee is included in the calculation. As far as Compass can determine, this is one of the lowest average hourly rates among all professionals rendering significant services in these Cases. Compass estimates that if it applied market rates for its professionals, the total fees incurred would have exceeded \$3,500,000. Accordingly, a request for an Additional Services Fee is both justified for the additional services rendered and the time incurred.

31. A Billing Summary for the Application Period is attached as Exhibit C.

#### **THE MANNER OF RECORDING COMPASS' FEES AND EXPENSES**

32. Compass has been rendering services to the Committee since November 4, 2004 as necessary and appropriate in furtherance of the interests of the Debtors' unsecured creditors and other constituents of the Committee. The variety and complexity of these Cases and the need to act or respond on an expedited basis in furtherance of the Committee's needs have required the expenditure of substantial time by senior professionals including, in certain instances, working late into the evening and on weekends, plus extensive travel during the Application Period.

33. Compass maintains records of the time expended by professionals in the rendition of their professional services to the Committee. The person rendering such services made such time records contemporaneously with the rendition of services. Detailed records of the time expended by Compass professionals in rendering professional services to the Committee are attached hereto as Exhibit D. During the Application Period, the total number of hours expended by Compass professionals in performing services for the Committee was 7,827.2 hours.<sup>6</sup>

34. Compass' fees were computed in accordance with the Retention Letter, as approved by the Retention Order. For cases of this magnitude, Compass' fees are customary and within the lower boundary of ranges of requested compensation for financial advisory services of the nature being furnished to the Committee. Moreover, Compass respectfully submits that the professional services rendered on behalf of the Committee were necessary and have directly contributed to the effective administration and the prospective recoveries of the estates.

35. Compass also maintains records of all actual and necessary out-of-pocket expenses incurred in connection with the rendition of its professional services. All out-of-pocket expenses requested herein are customarily charged to Compass' non-bankruptcy clients. A schedule of the categories of expenses and amounts for which reimbursement is requested is annexed hereto as Exhibit E.<sup>7</sup> This amount includes certain expenses relating to the Application

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<sup>6</sup> Compass' blended hourly billing rate of \$255.52 per hour for this period can be estimated by dividing the total monthly fees billed of \$2,000,000.00 by 7,827.2 hours. Because this is a Final Fee Application, the hourly billing rate for this period is also the total cumulative hourly billing rate (derived by dividing the total cumulative gross billed fees of \$2,000,000.00 by the total 7,827.2 hours since the November 4, 2004 commencement of Compass' services).

<sup>7</sup> These expenses include estimates of long distance and cellular telephone costs that were calculated from the total bills from estimated usage by client matter, based upon a *de minimis* percentage of the total hours of service per client per month.

Compass does not provide an easily accessible billing record for local or long distance telephone charges by telephone line or number called and, as such, Compass' fee applications typically describe the necessity for cost estimates in lieu of possessing such easily accessible documentation that would allow for submission of actual costs without use of substantial amounts of time for analysis. These estimates have historically been approved for reimbursement by various Bankruptcy Courts.

Period not previously compiled or submitted by Compass for reimbursement. At times, Compass professionals work on monthly administrative tasks related to these Cases for which time records are not submitted, but any associated expenses (e.g., late meals or transportation home late at night) are included herein. Compass respectfully reserves the right to submit a short supplement to this Final Fee Application, requesting reimbursement for the actual fees and expenses of Compass' outside counsel who assisted Compass in (i) preparing this Final Fee Application, (ii) responding to any objections to fee applications submitted by Compass, and (iii) any other matter relating to this Final Application that may require legal assistance.

36. Compass has received no payment and no promises for payment from any source for services rendered in connection with these Cases other than the right to submit this Final Fee Application and receive such amounts as are authorized by the Court. There is no agreement or understanding between Compass and any other person for the sharing of compensation to be received for the services rendered in these Cases.

### **SUMMARY OF SERVICES RENDERED**

37. During the Application Period, Compass dedicated substantial efforts and resources in providing professional services as investment banker and financial advisor to the Committee in reviewing, analyzing, understanding and valuing the complex financial and other issues regarding the Debtors' estates in order to properly advise the Committee on such issues and to provide the Committee and Committee counsel with the analytical support that was

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It should be noted that, for a recent unrelated chapter 11 case, Compass' professionals requested and reviewed documentation from the various telephone service providers in order to calculate actual costs for out-of-pocket telephone expenses associated with these cases. Compass' professionals spent over 18 hours compiling and reconciling documents spanning over twelve months, and found that the estimates Compass typically submits to clients are, in fact, less than the actual costs of telephone services. As such, Compass hereby submits the lesser amount and includes telephone cost estimates in this Final Fee Application in keeping with Compass' typical policy that has been historically approved by various Bankruptcy Courts for similar chapter 11 cases. Certain other expenses estimated to be incurred in association with preparation of this Final Fee Application (e.g., estimates of photocopying and shipping costs) are included herein and described in detail in Exhibit E.

necessary. During this period, Compass used its extensive contacts and investment banking expertise to facilitate key elements of the Debtors' POR.

38. Compass professionals brought to the Committee their broadly based and specialized airline industry experience, knowledge and expertise in investment banking and corporate reorganizations. The services rendered by Compass have, at times, completely occupied all of the time of some of Compass' professionals. In addition, extreme time constraints in these Cases at various times during the Application Period have caused Compass professionals to devote substantial efforts after normal business hours and on weekends, and to travel extensively.

39. As it would be impractical and burdensome for this Court if Compass set forth an exhaustive and detailed list of services rendered by Compass to the Committee, the following summary is intended to, and does, highlight some of the more significant services performed by Compass during the Application Period. The services provided by Compass to the Committee are described in full detail on Compass' time sheets attached as Exhibit D hereto. A summary description of the investment banking and financial advisory services provided by Compass to the Committee follows:

**Evaluation of Strategic Alternatives Available to the Debtors**

40. Compass undertook efforts to evaluate the three principal segments comprising the Debtors' business operations (scheduled service from Chicago-Midway and Indianapolis, the military business, and the Hawaii business) and to explore the range of strategic alternatives available with respect to each segment. Compass developed its views regarding such alternatives under a variety of different operating conditions and in numerous configurations of the Debtors' business, including with and without certain segments of such business and with differing fleet and route network configurations. As a result of its continued financial review and



analysis of the Debtors' business and the commercial airline industry, Compass maintained and enhanced its understanding of (i) the factors that led to the Debtors' chapter 11 filings, (ii) the financial and capital requirements necessary for the Debtors to continue to operate profitably, and (iii) the parameters to be considered in calculating the value of various segments of the Debtors' business and operations. These activities were necessary to enable Compass to assess the reasonableness of the Debtors' strategic alternatives. Compass continued its review of valuation and recovery estimates throughout the Application Period, focusing on any factors that could affect potential recoveries to unsecured creditors and, as a result, guiding toward one course of action versus another. Compass worked in a constructive manner with the Debtors' financial advisors, Huron Consulting Group ("Huron") and Navigant Consulting, Inc. ("Navigant"), in this process. As part of this process, Compass used its pre-existing industry expertise and relationships to define and explore alternative strategies and evaluate the implications of each potential course of action.

### **Due Diligence Review**

41. During the Application Period, Compass conducted due diligence efforts in order to understand each segment of the Debtors' business operations. This included performing financial analyses, evaluating recapitalization and restructuring alternatives, reviewing industry research and conducting direct interviews with the Debtors' management and advisors. These efforts were closely coordinated with Huron and Navigant so as to ensure the efficiency of the work performed and to prevent unduly burdening the Debtors' management during this process.

### **Asset Sales**

42. As a consequence of the Debtors' circumstances at the time of the filing of their chapter 11 petitions, the Debtors had determined to seek the sale of certain of their flight

operations, gate leases and routes at Chicago's Midway Airport, certain arrival and departure slots at LaGuardia Airport and Ronald Reagan Washington National Airport and the interim lease of certain aircraft (collectively, the "Sale Assets"), and had entered into an asset purchase agreement with AirTran in connection therewith. On the basis of its exploration and evaluation, Compass suggested that an alternative transaction might provide higher and better value for the Debtors' estates, and worked constructively with Huron and Akin Gump, usually taking the lead, to facilitate a process to achieve that end.

43. Compass worked closely with Akin Gump to oppose the initial bidding procedures proposed by the Debtors in connection with the proposed sale of the Sale Assets to AirTran. Compass was successful in negotiating certain important changes to the bidding procedures to remove or lessen burdensome and anti-competitive provisions, changes that were ultimately approved by the Court.

44. Compass engaged in discussions with a substantial number of other potential bidders for the Sale Assets, including Southwest and America West Airlines, as well as several other legacy airlines and low cost carriers, a number of private equity firms, and other potential sources of capital to finance the operations of the Debtors. Compass worked with prospective bidders to broaden the scope of potential consideration to include future support and marketing cooperation, in addition to seeking significant cash consideration in connection with the acquisition of some or all of the Sale Assets. In particular, Compass sought to actively keep alive the interest of multiple bidders in order to assure an active and competitive auction process.

### **The Auction**

45. Shortly after the Petition Date, the Debtors had determined that their only course of action was to raise cash from the sale of the Midway Airport operations. The Debtors had entered into a sale agreement whereby AirTran would acquire the Sale Assets (the "AirTran

Sale Agreement”). The full consequences of the AirTran Sale Agreement would have resulted in the Debtors receiving little net consideration for the Sale Assets, as the transition costs required of the Debtors to transfer the Sale Assets to AirTran would have consumed much of the consideration under the AirTran Sale Agreement.

46. The auction for the Sale Assets commenced on December 13, 2004 and, in conjunction with Akin Gump and Huron, Compass worked with Southwest, AirTran, and America West Airlines to help drive each toward higher and better bids. After a full and fair bidding process, the auction was concluded on December 15, 2004 with Southwest declared the successful bidder. Among the differences between the Southwest bid and the “stalking horse” AirTran Sale Agreement, were (i) a DIP financing, (ii) an equity investment in the reorganized Debtors, (iii) the continued operation by the Debtors of scheduled service from Midway Airport, and (iv) the “code-sharing” between the Debtors and Southwest, all of which added substantial value to the Debtors’ estates and with respect to which Compass played a significant role.

#### **The ATSB Loan**

47. Compass also worked with the Debtors and their advisors, and with Akin Gump, to analyze the value of the ATSB’s secured claims and to seek to negotiate a settlement thereof with the ATSB. Compass also assisted Akin Gump in negotiating cash collateral issues with the ATSB.

#### **Fleet Planning; Aircraft Leases**

48. Compass devoted substantial attention to the evaluation of the Debtors’ scheduled service route network, the appropriateness of the Debtors’ fleet of narrow body aircraft for their missions, and to the terms under which the Debtors maintained use of their aircraft. In connection therewith, Compass analyzed the Debtors’ aircraft leases and participated in numerous in-person meetings and telephonic calls with representatives of the Debtors in

connection with proposed assumptions, rejections and modifications of such leases. During this period, the Debtors' statutory deadline (60 days after the Petition Date) under Section 1110 of the Bankruptcy Code occurred, and Compass, in conjunction with Akin Gump, worked with the Debtors and their professionals to reach decisions prior to the deadline regarding the aircraft to be retained (and the terms under which that retention would occur) and which should be returned. In connection therewith, Compass helped to evaluate the Debtors' 1110 motions relating to the acceptance or rejection of certain aircraft and worked with the Debtors and their advisors analyzing the character of the fleet most appropriate for the performance of its operations following the auction.

#### **Key Employee Retention Agreement**

49. On December 19, 2004, the Debtors filed a motion to implement a key employee retention plan ("KERP"). Compass worked with the Debtors and their advisors and with Akin Gump in analyzing the Debtors' proposed KERP and participated in numerous conference calls and in-person meetings to address the concerns of the Committee. Ultimately, in response to opposition from the Committee and the Debtors' unions, the Debtors withdrew the KERP.

#### **Retention of CRO/Interim CEO; Search for New CEO**

50. Following the auction, Compass actively participated in a process to find and retain a new CRO with the experience and capability to reshape the Debtors' management team. Compass participated in numerous in-person meetings and telephonic calls with the Committee, its other professionals, representatives of the Debtors and with other relevant stakeholders and, ultimately, successfully courted John Denison to assume the CRO role.

51. In connection with the continuing upgrade of the Debtors' management team, Compass actively participated in the process of finding several search firms with

experience in retaining senior airline executives, evaluating the qualifications thereof and working with the firm ultimately retained (SpencerStuart) to establish relevant specifications for the search for a permanent CEO. A representative of Compass also served on the search committee.

#### **Assistance in Shaping 2005 Business Plan; Seeking Strategic Alternatives and Financing**

52. As the Debtors were reconstituting and upgrading their management team, Compass actively assisted the Debtors in shaping and executing their 2005 business plan. For example, Compass provided advice and assistance with respect to the analysis of the Debtors' fleet of aircraft; with respect to the retention of advisors to assist the Debtors in sourcing, evaluating and financing new aircraft and with respect to the actual sourcing of a variety of aircraft for evaluation by the Debtors. During this period, Compass also assisted the Debtors in providing advice with respect to the leasing of a variety of aircraft.

53. At the same time, Compass continued to consider a variety of strategic alternatives, including combinations with other air carriers. For example, Compass engaged in conversations with North American Airlines, Hawaiian Airlines and Aloha Airlines. Similarly, Compass began the process of seeking exit financing and, to that end, commenced conversations with several potential sources of capital including MatlinPatterson, who six months later became the Debtors' principal investor.

#### **Assistance in Creating and Urging Critical Cost-Saving Initiatives**

54. In connection with the process of streamlining the Debtors' business and operations to allow them to continue to operate in chapter 11 and, ultimately, to exit chapter 11, Compass prepared for the Debtors, in April 2005, an analysis of more than 30 strategies that would either reduce expenses or raise capital. Compass met with the Debtors' senior

management on several occasions to review these suggestions, many of which were ultimately adopted and implemented by the Debtors.

55. In fact, that analysis contained ALL of the items eventually adopted in connection with the Debtors' transaction with MatlinPatterson. Based on the approximately \$19 million of annual savings generated by these strategies, it is reasonable to conclude that the entire equity value of the Debtors was provided by the savings generated by such strategies.

56. The most important strategies suggested by Compass and adopted by the Debtors included the following:

- a. Specific headcount reduction targets;
- b. Closing of flight operations in Indianapolis and shift of capacity to better opportunities;
- c. Acceleration of the Indianapolis Headquarters space consolidation;
- d. Dramatic reduction in planned aircraft configuration expense;
- e. Accelerated departure from the fleet of a number of 737-800 aircraft;
- f. A significant re-planning of L-1011 maintenance expenses;
- g. Airframe maintenance outsourcing and the ultimate retention of outside consultants (Mercer) to execute the planning, resulting in savings of \$2 to \$3 million per year;
- h. Competitive bidding of engine maintenance contracts, ultimately executed by Mercer, generating savings of \$54 million over 5 years;
- i. Competitive process for the repair of rotatable parts, yielding savings of \$48 million over 10 years; and

- j. Sales of excess parts inventory, ultimately generating substantial savings.

**Continuing Assistance with and Execution of the Debtors' Business Plan**

57. During the Spring of 2005, Compass continued to work with the Debtors' management in connection with numerous critical elements of the Debtors' business plan, as well as assisting the Debtors with the execution thereof.

- a. Compass initiated discussions with management concerning the need for additional senior officers to execute the business plan. To that end, Compass assisted the Debtors in sourcing, talking to, and obtaining references for several highly qualified airline industry CFO candidates.
- b. Compass initiated discussions with management with respect to the need for professional assistance in re-fleeting ATA, and made introductions to several firms.
- c. Compass initiated discussions with various potential lessors regarding the potential leasing of aircraft to the Debtors, including AAR, Oak Hill Capital, Bristol, UAL, Northwest and Pegasus Leasing.
- d. Compass prepared an extensive proposal for incremental financing for the Debtors, including a potential rights offering, and had numerous follow-up discussions with potential investors.
- e. Compass spent extensive time reviewing and evaluating the claims of Boeing, and eventually opposing those claims in a proceeding (with extensive participation therein). Compass later provided

analytical support to the settlement discussions, providing substantial value to the Debtors' estates.

- f. Compass spent extensive time reviewing and evaluating the claims of GECAS (G.E. Commercial Aviation Services). Compass provided analytical support to the Committee with respect to the appropriateness of the settlement amount negotiated with the Debtors.
- g. Compass also participated in numerous meetings and discussions regarding CEO retention and compensation, including participation on the CEO search committee.

### **Boeing Claim**

58. In connection with the finalization of the valuation of the Debtors' estates, Compass worked with the unsecured creditors and their other advisors to assess the claim of Boeing for damages in connection with the rejection of certain Boeing-owned aircraft and to participate in the negotiations with Boeing with respect thereto. Compass prepared an expert report, attended several depositions, worked with Akin Gump to prepare for possible litigation with Boeing, reviewed and analyzed appraisals and, ultimately, worked with Akin Gump in the preparation of, and negotiating a settlement with, Boeing.

### **Exit Financing; Plan of Reorganization**

59. Compass continued working toward three related goals over the summer of 2005 designed to assure the Debtors' successful exit from chapter 11:

- a. Working with management of the Debtors to develop a revised business plan that would reduce the losses and cash flow burn anticipated by the Debtors over the short-term and also reduce the



risk to any new investor (to be achieved by a significant reduction in flying through the elimination of money-losing segments and a reduction in operating costs and excessive overhead).

- b. Working with the Debtors and with Jefferies, who had been engaged by the Debtors to raise the exit financing for the Debtors, attending numerous meetings with the Debtors' management, and reviewing and fine-tuning the Debtors' offering memorandum to potential investors for interim and exit financing.
- c. Working to find potential alternative sources of capital to finance the Debtors' exit from chapter 11.

60. During the Fall of 2005, Compass continued working with the Debtors and the Committee and their legal advisors to finalize the Debtors' interim and exit financing, POR and agreements with the new proposed majority owner of the Debtors' business designed to maximize the participation of unsecured creditors in the ownership of the Debtors' business, following their exit from chapter 11 and the protection of the rights of unsecured creditors. In connection therewith, Compass engaged in an extensive review of the Debtors' term sheet with MatlinPatterson, the proposed new majority owner, extensive negotiations with MatlinPatterson concerning the terms of participation of unsecured creditors in the ownership of the post-confirmation business, preparation for litigation concerning such terms of participation, and negotiation of a settlement and participation rights with MatlinPatterson. Compass also continued to pursue potential competitive bidders as a backup for the MatlinPatterson bid.

61. In connection with the Debtors' planned exit from chapter 11, Compass continued to review and comment on a number of aircraft dispositions; review, negotiate and analyze changes to the Debtors' POR and Disclosure Statement; and review, analyze and

negotiate a number of agreements with MatlinPatterson including the Certificate of Incorporation and By-Laws of the post-chapter 11 business and a number of agreements specifically designed to protect the minority rights of the unsecured creditors who were to receive equity in the post-chapter 11 business.

### **Operating and Financial Reports**

62. During the Application Period, Compass continually monitored the financial and operating condition of the Debtors' business and reported regularly to the Committee regarding its conclusions and observations. These included reports and analyses on the Debtors' cash flow, analyses of the Debtors' ongoing financial performance as reported in its monthly operating reports, comparison to historical operations and current business plans and ongoing analyses of the Debtors operating statistics including bookings, load factors, elements of cost per available seat mile and revenue per available seat mile.

63. Compass prepared a weekly financial analysis of the Debtors' cash position and a monthly review of the Debtors' results from operations and financial condition, and discussed the results with the Committee and the implications for the Debtors' business and eventual POR

### **Valuation Analysis**

64. During the Application Period, Compass developed and continually updated its views regarding the value of the Debtors' business under a variety of different operating conditions and potential configurations and capitalizations for a Reorganized ATA. Throughout the Cases, Compass maintained and enhanced its understanding of (i) the factors that led to the Debtors' chapter 11 filings, (ii) the financial and capital requirements necessary for the Debtors to begin to operate profitably and to remain a viable independent entity, and (iii) the parameters to be considered in valuing the Debtors' assets and operations on a post-reorganized

basis. These activities were necessary to enable Compass to assess the reasonableness of the Debtors' strategic alternatives. Ultimately Compass' efforts resulted in recommendations to the Debtors of the courses of action that led to its ultimate business plan and POR. Compass continued its due diligence efforts throughout the Application Period, focusing on any factors that could affect potential recoveries to unsecured creditors.

65. Compass developed and updated its estimates of the amount of new capital — debt and/or equity — that would be required to maintain the short- and long-term viability of the Debtors' enterprise. Compass also estimated the probable range of reorganization values for the Debtors, as a going concern for both the short and long term, and the internal and external conditions that would have to be present or created for such valuation estimates to be realized. Based on such valuation estimates, Compass calculated the recoveries that would be available to secured and unsecured creditors and what those recoveries might be under a series of different assumptions and capitalizations. Compass compared the potential reorganization values with estimated liquidation values, with estimated third-party investment and sale values, and with claim amounts that needed to be satisfied or settled.

66. Compass reviewed and continually updated its assessment of the financial trends and conditions in the Debtors' industries. Specifically, Compass prepared and repeatedly updated an analysis of the financial performance of publicly-traded companies with characteristics similar to that of the Debtors, including (i) their results of operations, (ii) their operating margins and profitability, (iii) their debt and equity capital structures, and (iv) the trading value of their securities. In addition Compass prepared an updated analysis based on the Debtors' various financial projections of the expected cash flows that could be expected from various alternative courses of action. The result of this analysis was the preparation of a comprehensive valuation report that was discussed extensively with the Committee.

67. Compass also evaluated and disagreed significantly with the valuation analysis put forth by the Debtors' financial advisors, Navigant. Compass enterprise valuation was significantly higher than Navigant's, a difference noted in the Disclosure Statement. This reported difference may have been instrumental in encouraging many unsecured creditors to participate in funding the POR. Compass' valuation estimates were further validated and vetted by recent trading prices of Reorganized ATA's equity securities.

### **Evaluation of the Debtors' POR Funding Requirements**

63. Throughout the Application Period, Compass continued to evaluate the Debtors' continuing estimates of the amount of potential asset recoveries, senior claims (secured, unsecured, priority, administrative, etc.) and necessary operating expenses each time these estimates were revised by the Debtors in order to determine the range of potential outcomes and recoveries to unsecured creditors and the potential form of any such recovery. This ongoing work was necessary to maintain and improve Compass' understanding of the capital needs of the Debtors to successfully complete a plan of reorganization and emerge as a viable company.

### **Plan of Reorganization**

68. Compass assisted Akin Gump in the review, analysis and negotiation of significant aspects of the POR and related documents including the Disclosure Statement. Compass actively negotiated significant portions of the POR and POR documents with MatlinPatterson, a POR co-proponent, with a particular focus on documents governing investors' rights and minority protections.

### **Committee Meetings and Court Hearings**

69. Compass attended and actively participated in approximately 65 Committee meetings where Compass reported on various financial matters and strategic aspects regarding the Debtors. Compass worked closely with Akin Gump to ensure that the Committee

was well informed of developments in the Cases and the alternatives available to the Committee to enhance the value of the Debtors' estates.

70. Compass also had numerous discussions and meetings with Committee members during the Application Period.

71. Compass also attended various Court hearings, including those relating to Bid Procedures, DIP financing and the sale of assets.

### **Other Services**

72. Compass also assisted Akin Gump in understanding and/or reviewing the financial aspects of the following matters:

- a. A review of post-petition DIP financing proposals from both the State of Indiana in November 2004 and MatlinPatterson in December 2005.
- b. The terms of the retention of certain of the Debtors' professionals including Huron, Skyworks, Jefferies and Mercer.
- c. Review of executory contracts and license agreements including (i) executory contracts with financial institutions such as U.S. Bank and American Express and (ii) motions to reject various property and aircraft leases.
- d. A review of secured and unsecured claims and related settlements of same.
- e. A review of wage concessions sought by the Debtors from its union employees and related Section 1113 motions.

73. Compass also engaged in hundreds of hours of discussions with numerous unsecured creditors, fielding and responding to various questions regarding the Debtors' Cases.

## **RESULTS ACHIEVED**

74. As a result of Compass' services to and on behalf of the Committee, Compass asserts that unsecured creditors of the Debtors' estates received a significant improvement in recoveries. An important component of unsecured creditor recoveries was a result of Compass becoming an extremely active participant in these Cases, working diligently in proposing, acting upon and driving to fruition many of the key elements that created value, preserved value, or prevented the dissipation of value. Of particular significance is that this result was achieved in what was one of the worst economic environments for the airline industry.

75. Compass also advised the Committee and Committee counsel in negotiating reasonable compromises to the senior secured exit financing as they affected unsecured creditors.

76. The most significant achievement is that unsecured creditors own approximately 32% of the fully-diluted equity of the reorganized Debtors.

77. Compass respectfully submits that the investment banking and financial advisory services provided by its professionals (i) were beneficial to the Committee and the Debtors' estates, (ii) have been provided in a cost efficient manner, and (iii) have been subject to on-going monitoring and review by the Committee.

## **FACTORS TO BE CONSIDERED IN AWARDING FEES**

### **Legal Standard to be Applied**

78. Compass' request for compensation is made pursuant to the twelve criteria originally enumerated in Johnson v. Georgia Highway Express, Inc., 488 F.2d 714, 714-719 (5th Cir. 1974), and expressly adopted by the United States Court of Appeals for the Fourth Circuit in Barber v. Kimbrells, Inc., 577 F.2d 216 (4th Cir. 1978), Anderson v. Boothe, 658 F.2d 246 (4th

Cir. 1978), and Harman v. Levin (In re: Robertson), 772 F.2d 1150 (4th Cir. 1985). These factors were also enumerated in In re: First Colonial Corporation of America, 544 F.2d 1291, 1298-99 (5th Cir. 1977), reh'g denied, 547 F.2d 573, cert. denied, 431 U.S. 904, which standards have been adopted by most courts. The twelve criteria are as follows:

(1) the time and labor expended; (2) the novelty and difficulty of the questions raised; (3) the skill required to properly perform the legal services rendered; (4) the attorney's opportunity costs in pressing the instant litigation; (5) customary fee for like work; (6) the attorney's expectations at the outset of the litigation; (7) the time limitations imposed by the client or circumstances; (8) the amount of controversy and the results obtained; (9) the experience, reputation and ability of the attorney; (10) the undesirability of the case within the legal community in which the suite arose; (11) the nature and length of the professional relationship between the attorney and client; and (12) attorney awards in similar cases.

Barber v. Kimbrells, Inc., 577 F.2d at 226 n28.

These criteria are discussed in detail below.

79. The total fees requested by Compass are reasonable under the circumstances, and the twelve Johnson v. Georgia Highway Express, Inc. factors, as discussed below, supports an award of compensation in the amount requested.

#### **Analysis of "Johnson" Factors**

80. Time and Labor Expended — The professional services rendered by Compass were requested by the Committee or necessitated by the demands of these Cases, and have required, at times, the expenditure of substantial time and effort, as well as a high degree of professional competence and expertise, in order to deal with the many complex issues encountered by the Committee. Occasionally, Compass was required to perform these services under significant time constraints requiring work late into the evening and on weekends.

81. Novelty and Difficulty of Questions Raised — Novel and complex issues were identified in the course of the Cases. The Debtors operated a unique and complex business

— unique because of the combination of commercial and military air transportation services provided and the areas serviced. Furthermore, these Cases were complicated due to a turnover in senior management, material and unexpected increases in fuel costs, issues related to decreased passenger loads and significant competition.

82. Level of Skill Required — An extremely high level of skill was required from Compass to ensure that the Committee’s interests and the fiduciary duties owed to all unsecured creditors were addressed and, where possible, protected in these Cases. Compass’ ability to identify business and financial issues and solutions, and coordinate effectively with other professionals and business people involved in the Cases to address and solve these issues, contributed to the maximization of the distributions to the Debtors’ unsecured creditors. In addition, the high skill level of the Compass professionals benefited the Committee and the Debtors’ estates because of Compass’ ability to fully and rapidly understand the important business and transaction issues facing the Debtors, and to engage in meaningful discussions with the Debtors on matters designed to improve the performance of the Debtors and the overall recoveries and protect the value of the Debtors’ estates. Further, in eliciting prospective purchasers or POR proponents, Compass’ understanding of both the Debtors’ businesses and how competing bids could maximize value in a chapter 11 case were important skills, employed by Compass, that ultimately enabled a successful sale of certain assets for maximum value and a POR.

83. Opportunity Costs — The volume of the matters needing attention on a continuing basis has required several of Compass’ professionals to commit significant portions of their time to these Cases. As a result, during certain intervals of the Application Period, several of the professionals involved were able to devote only limited time to other matters. Due



to the size of Compass' bankruptcy and restructuring group, Compass' representation of the Committee has precluded its acceptance of new clients.

84. Customary Fee For Like Work — Compass' fees are within the customary range charged by other investment bankers and financial advisors with comparable experience, and the total compensation sought is reasonable compared with fees charged by other similarly situated firms in cases of this magnitude and complexity. With respect to the level of compensation, § 330 of the Bankruptcy Code provides, in pertinent part, that the Court may award to a professional person (including investment bankers and financial advisors for a creditors' committee):

Reasonable compensation for actual necessary services rendered by such ... professional person based on the time, the nature, the extent, and the value of such services, and the cost of comparable services other than in a case under this title ...

11 U.S.C. § 330

The clear Congressional intent and policy expressed in this statute is to provide for adequate compensation in order to continue to attract qualified and competent bankruptcy practitioners to bankruptcy cases.

85. Expectation at the Outset of Representation — Compass expected that it would be compensated for services in accordance with the terms of the Retention Letter and would be reimbursed for all out-of-pocket disbursements made in rendering services on behalf of the Committee. Compass has sought reimbursement only for those out-of-pocket expenses that are normally not considered overhead and are reimbursable under the compensation guidelines.

86. Time Limitations — Many of the services provided by Compass were provided under severe time limitations. For example, once retained, Compass immediately

expended a substantial amount of time getting up to speed on the Debtors' business affairs and proposed sale of the businesses in order to properly engage in constructive discussions with the Debtors and potential parties to a transaction and to properly assist and advise the Committee on positions in matters arising from these Cases. Compass was required to digest and assimilate a large body of background and financial information from various sources, including SEC documents, and documents provided by the Debtors.

87. Amount in Controversy and Results Obtained — Compass' efforts have resulted in significant, positive gains for the Committee and the unsecured creditors of these estates. Aided by the efforts of Compass, the Committee has been an active participant in the Cases, and its assistance, as well as constructive involvement, has greatly contributed to the potential recoveries and efficient administration of these Cases. Compass played a key role in addressing Committee concerns and in successfully advising and acting on behalf of the Committee and general creditors of these estates, as requested by the Committee.

88. Experience, Reputation and Ability — Compass professionals brought to the Committee their broadly based and specialized experience, institutional knowledge of the air transportation industry, knowledge and expertise in valuation, investment banking, mergers and acquisitions, the sale of troubled companies as well as general bankruptcy and corporate reorganization. Compass' experience enabled its professionals to perform the services described herein competently and expeditiously. Compass and its professionals have served as investment bankers and financial advisors to creditors and/or committees of creditors for several prominent chapter 11 cases as described above.

89. Undesirability of the Case — This factor has little applicability to these Cases, except for (i) the risk that there would not be a sale transaction or plan of reorganization and that Compass' expectation of a transaction fee would not be realized, (ii) certain delays in

obtaining compensation and the imposition of administrative costs on Compass in preparing and submitting requests for allowances of compensation, and (iii) the imposition of time constraints which may have prevented Compass from accepting engagements with other clients.

90. Nature and Length of Professional Relationship With Client — Prior to the initiation of these Cases, Compass had no client relationship with the Debtors or any Committee member, except as described in Compass' affidavits of disinterestedness filed as part of the Committee's applications to retain Compass. Compass has had no other client relationship with the Debtors or any Committee member prior to the initiation of these Cases.

91. Fee Awards in Comparable Cases — The fees requested by Compass in the Cases are reasonable compared to fees allowed in cases of similar magnitude and complexity based on the time expended and the difficulty of the work required.

#### **Compass' Request for an Additional Services Fee**

92. Certain of the services performed by Compass on behalf of the Committee, the Additional Services, went beyond those services specifically authorized in the Retention Letter. The Retention Letter did contemplate the provision of additional investment banking and financial advisory services to the Committee as needed and requested by the Committee, subject to further approval of the Court. Ultimately, Compass was called upon by the Committee to provide such expanded services under circumstances that caused Compass to be reticent to seek expanded authority and request additional compensation from the Court<sup>8</sup>. As discussed in this Final Fee Application, the Additional Services provided by Compass to the Committee were extremely valuable and Compass' additional work was a significant factor in

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<sup>8</sup> As the Compass engagement evolved, it became clear that further services, beyond those specifically delineated in the Retention Letter, were necessary and appropriate. At the time Compass' engagement was expanded, it did not appear that unsecured creditors would likely receive any distribution, and Compass thought it inappropriate for Compass to be seeking additional compensation under such circumstances. Accordingly, a decision was made to wait for the ultimate results and seek retroactive authorization and compensation if circumstances warranted such a request. Compass believes that the results achieved for the benefit of unsecured creditors make the retroactive request appropriate.

allowing unsecured creditors, and indeed the Debtors themselves, to realize an increased return. Compass does not characterize the request for the Additional Services Fee as a request for a bonus or a success fee. Rather, Compass views this request for the Additional Services Fee as a belated request for authorization to provide the Additional Services and to receive additional compensation on account thereof. Compass respectfully submits that its considerable efforts, and the results obtained, merit the Additional Services Fee of \$1,000,000.

93. Compass acknowledges that the scope of its retention as defined in the Retention Order does not specifically include the Additional Services it provided to the Committee. Nevertheless, to the extent it is necessary, this Court is empowered to retroactively authorize an expansion of the scope of Compass' retention and Compass respectfully submits that such an expansion is warranted here.

94. The Court may retroactively authorize additional professional services pursuant to 11 U.S.C. § 327(a) and Fed. R. Bankr. P. 2014(a) where an applicant demonstrates "excusable neglect" under the Fed. R. Bankr. P. 9006(b)(1). *See In re Singson*, 41 F.3d 316, 319 (7th Cir. 1994); *In re Anicom, Inc.*, 273 B.R. 756 (Bankr. N.D. Ill. 2002). The *Singson* court explained that neither § 327(a) nor Rule 2014 forbids or even reprovves belated authorization and that timing is a matter of sound judicial administration rather than legislative command. *Id.* Thus, the *Singson* court rejected an "extraordinary" circumstances requirement and instead applied the "excusable neglect" standard set forth in *Pioneer Inv. Servs. Co. v. Brunswick Assocs. Ltd. P'ship*, 507 U.S. 380, 113 S.Ct. 1489 (1993), in considering a request for retroactive authorization of additional professional services. *See id.* The *Pioneer* court held that (1) "neglect" includes carelessness, and (2) in deciding whether neglect is "excusable:"

"The determination is at bottom an equitable one, taking account of all relevant circumstances surrounding the party's omission. These include...the danger of prejudice to the debtor, the length of delay and its potential impact on the judicial

proceedings, the reason for delay, including whether it was within the reasonable control of the movant, and whether the movant acted in good faith.”

507 U.S. at 395.

95. The *Anicom* court articulated a two-pronged test to determine whether retroactive authorization of professional services is appropriate under *Singson*: (1) if the application was timely, the court would have granted the relief requested; and (2) whether the excuse for delay was sufficient under the “excusable neglect” standard. 273 B.R. at 762.

96. Here, had Compass sought, prospectively, to expand the scope of its retention under the Retention Order to include the Additional Services, Compass submits that such an application would likely have been granted. The Retention Letter executed by the Committee contemplated the expansion of the services to be provided by Compass. The initial scope of Compass’ retention was limited as a cost-justified precaution because of the uncertainty concerning the ultimate recovery for creditors. *See Singson*, 41 F.3d at 319 (“Ordinary care — that is, cost-justified precautions — ought to suffice.”). Nevertheless, after it was retained, the circumstances of the Cases were such that the Committee called upon Compass to perform the Additional Services. The ultimate results achieved make it clear that Compass’ Additional Services led to a greatly enhanced recovery for unsecured creditors. The fact that the Additional Services were not within the initial scope of the Retention Order was the result of unforeseen circumstances and was, at most, an inadvertent omission. *See Pioneer*, 507 U.S. at 394-395 (“to exclude every instances of an inadvertent or negligent omission would ignore the most natural meaning of the word ‘neglect’ ...”).

97. Any such “neglect” on the part of Compass is clearly “excusable” under the *Pioneer* standard. The reason for the Compass’ request for retroactive authorization is a good one and the impact on the Debtors and the Debtors’ estates, minimal. *See Singson*, 41 F.3d at 320. In addition, the relief requested poses no prejudice to the Debtors or other interested

parties, but seeks only fair compensation for the results achieved on account of Compass' Additional Services. Thus, Compass respectfully submits that a retroactive authorization of additional services that Compass did provide to the Committee is warranted.

98. Moreover, the decision of whether to retroactively authorize the Additional Services is an equitable one. Principles of basic fairness support a finding that Compass ought to be compensated for the additional work it performed and the extraordinary results it produced. As discussed herein, the Additional Services provided by Compass played a significant role in the realization of additional consideration to unsecured creditors. (Refer to Paragraphs 13 and 28.) The principles of equity support compensating Compass from the very additional consideration that it helped to create. C.f. Trustees v. Greenough, 105 U.S. 527, 532 (1881) (recognition that at common law, an attorney is entitled to recover a portion of the total recovery that he secured from the class that he enriched); Alyeska Pipeline Service Co. v. Wilderness Society, 421 U.S. 240, 257 (1975); Brown v. Phillips Petroleum Co., 838 F.2d 451, 454 (10th Cir. 1988) cert. denied, 488 U.S. 822 (finding that common law theory of restitution requires compensation for those who create benefit for others); Silberman v. Bogle, 683 F.2d 62, 64 (3d Cir. 1982) (stating that, under restitutionary theory, attorneys are entitled to compensation since class members are enriched at attorneys' expense.) Compass' request for the Additional Services Fee of \$1,000,000 is equal to the 4% fee paid or payable to the Debtors' investment banker, funds that Compass played a significant and crucial part in securing, and is both fair and reasonable. Compass hereby respectfully requests that authorization for the Additional Services and allowance of the Additional Services Fee should be granted.

## ALLOWANCE OF COMPENSATION

99. All services for which compensation is requested in this Final Fee Application were performed for and on behalf of the Committee in respect of its fiduciary duties to these estates and their creditors, and not on behalf of any other person or entity. Compass submits that the services rendered to the Committee were actual and necessary, that the compensation sought is reasonable and in accordance with the standards of 11 U.S.C. § 330, and the expenses for which reimbursement is sought were actual and necessary (other than certain minimal estimates and allocations as indicated in Exhibit E).

100. The professional services rendered by Compass were requested by the Committee or necessitated by the demands of the Cases, and have required the expenditure of substantial time and effort. It is respectfully submitted that the services rendered to the Committee were performed efficiently, effectively and economically, and the results obtained to date have benefited not only the members of the Committee, but also the unsecured creditor body as a whole and the Debtors' estates, and enabled the Debtors to fulfill their fiduciary obligations, thereby benefiting the Debtors' estates.

101. Consideration of the circumstances of these Cases and the twelve-factor test of Johnson v. Georgia Highway Express, Inc. indicates that no downward adjustment in the overall fees of Compass is warranted. The work performed by Compass has provided the Committee with significant benefits.

102. The total allowance of compensation requested by Compass in this Final Fee Application for services rendered is \$3,000,000.00, of which Compass respectfully requests a final payment of \$1,400,000.00. This \$3,000,000.00 includes \$1,600,000.00 of financial advisory fees previously invoiced and paid to Compass by the Debtors, plus \$400,000.00 of financial advisory fees previously held back (the 20% of fees held back from the monthly

invoices submitted during the Application Period), plus the \$1,000,000.00 Additional Services Fee not yet paid.

103. In addition to fees for services rendered, Compass incurred actual out-of-pocket expenses in connection with the rendition of the professional services to the Debtors during the Application Period in the sum of \$120,034.72. This sum consists of \$114,047.79 already paid to Compass as reimbursement for an aggregate of expenses described in Compass' monthly invoices, plus \$5,986.93 of expenses accrued during the Application Period but not yet submitted or paid, and based on more current information. Compass requests allowance of the \$120,034.72 in expense reimbursement and payment of the \$5,986.93 not previously paid to Compass by the Debtors.

104. The disbursements and expenses have been incurred in accordance with Compass' normal practice of charging clients for expenses clearly related to and required by particular matters. Compass has endeavored to minimize these expenses to the fullest extent possible. The requested payment for reimbursement of expenses does not include legal fees and expenses related to the retention of outside counsel who assisted with the preparation of this Final Fee Application and in responding to any objections relating to fee applications submitted by Compass. Actual costs of such legal fees and expenses will be submitted in a short supplement to this Final Fee Application.

105. Compass' request for allowance of expense reimbursement does not include an allocation of charges for photocopying, telecopier toll charges, computerized research, travel expenses, "working meals," secretarial overtime, postage and certain other office services. Since the needs of each client differ, Compass believes it is fairest to charge each client only for the services and related expenses actually used in performing such services.



## SUMMARY

106. After the commencement of these chapter 11 Cases, no beneficial interests, direct or indirect, or claim against or interest in any creditor or the Debtors have been acquired by Compass or for its account.

107. As set forth in the Certification of Harvey L. Tepner annexed hereto as Exhibit F, Compass believes that this Final Fee Application is in compliance with the Local Rules of the United States Bankruptcy Court for the Southern District of Indiana effective August 3, 1998; the national fee guidelines promulgated on March 22, 1995, by the Executive Office for United States Trustees pursuant to 28 U.S.C. § 586(a)(3)(A)(i) and the Policy of the United States Trustee for Region 10 for Implementation of Fee Guidelines dated January 30, 1997, including any amendments; and with the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses dated January 30, 1996 (collectively, the “Compensation Guidelines”). In accordance with the Compensation Guidelines, time expended by Compass has been itemized based on each task performed on a particular day.

108. As required by the Administrative Fee Order, a copy of this Final Fee Application has been served upon the Debtors, their counsel, members of the Committee and their counsel, and the UST, and all creditors and parties-in-interest who have filed a request with the Clerk that such notices be mailed to them.

109. No compensation previously received has been shared. No agreement or understanding exists between Compass and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with these Cases.

110. Compass seeks this Court’s approval for the total fees for services rendered and disbursements in the amounts set forth above and an order directing the Debtors to

pay such amounts. Compass has received 80% (\$1,600,000.00) of its previously submitted fees and 100% (\$114,047.79) of its previously submitted expenses. The Debtors have held back a total of \$400,000.00, representing 20% of the fees previously requested for services provided during the Application Period. In addition, Compass respectfully requests payment of the \$1,000,000.00 Additional Services Fee, as well as the reimbursement of \$5,986.93 in out-of-pocket expenses incurred during the Application Period but not yet submitted for payment.

111. No prior application has been made in this or in any other Court for the relief requested herein for the Application Period.


**WHEREFORE**, Compass respectfully requests that this Court:

- (i) approve this Final Fee Application and the allowance of compensation for professional services rendered during the Application Period requested herein, together with fees and expenses, in the aggregate amount of \$3,120,034.72;
- (ii) retroactively authorize the provision of the Additional Services by Compass to the Committee and expand the scope of Compass' retention;
- (iii) approve the allowance of fees requested herein for professional services rendered during the Application Period in the amount of \$3,000,000.00, which includes the Additional Services Fee of \$1,000,000.00;
- (iv) approve the reimbursement for out-of-pocket expenses incurred during the Application Period in connection with the rendering of such services in the amount of \$120,034.72;

- (v) authorize and direct the Debtors to pay Compass Advisers, LLP the aggregate sum of \$1,405,986.93, representing the total fees held back to date (\$400,000.00), the Additional Services Fee (\$1,000,000.00), plus the reimbursement of out-of-pocket expenses (\$5,986.93) incurred during the Application Period but not yet paid, as described in the Billing Summary attached as Exhibit C; and
- (vi) enter such other and further relief to Compass Advisers, LLP as the Court deems just and equitable.

Respectfully submitted,

COMPASS ADVISERS, LLP

By:   
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Dated: New York, New York  
May 4, 2006

*Investment Banker and Financial Advisor to the  
Official Committee of Unsecured Creditors of ATA  
Holdings Corp., et al.*